

Letter from the Editor

BY ALBERT J. MILLS

Welcome to the winter issue of 2015. By now I had hoped that this issue would herald the start of spring and a farewell to the constant snowfall. No such luck. All I can say is that at least the current issue of *Workplace Review* will give you some useful and interesting reading if you are stuck at home for yet another snow-filled day. With that in mind our first article couldn't be more appropriate as it encourages us to think about 'female adventure travelers'. The article, written by Helle Haven Petersen and Candace Blayney, of the Business and Tourism Department of Mount Saint Vincent University, sets out to assess the perceptions of risk perceived by women who are about to embark on a Tall Ship travel adventure experience. Interestingly, they found that despite the fact that the women set out to do something unusual that would challenge their technical and social skills, they were more concerned with ability to socially adapt to the situation than with physical risks associated with "working at heights (going aloft), weather events and other risks associated with tall ship sailing".

Our second article is by Sébastien Deschênes, Monique Levesque, Tania Morris and Egbert McGraw from the Faculté d'administration of the Université de Moncton. This article examines the important role of regional representation of the largest Canadian public corporations. Arguing that "headquarters are important to the economy of a region", the researcher team set out to identify "whether 1) the headquarters of Canada's largest public companies and if 2) the directors on the boards of directors of these companies are distributed proportionally to the population of the different provinces". Their findings indicate that "Alberta is strongly represented in both areas [but] all other provinces are under-represented".

Our third article switches focus, to examine Corporate Social Responsibility (CSR) in Nova Scotia. The article, by Tammy Oulton of the Department of Communication Studies of Mount Saint Vincent University, contributes to emergent studies of CSR in small enterprises – focusing on small companies in Nova Scotia. Oulton defines CSR as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law". Oulton goes on to discuss the problem of exhaustion as company owners vie between serving the interests of their local community and the need to generate sufficient funds to stay in business and consider growth, improvement, and profitability. Examination of small companies in the King and Hants Counties of Nova Scotia reveals the pressures that those small business owners undergo due to a series of direct relationships to customers, clients, and the local community – leading to serious issues of exhaustion.

In our regular education column the article by Mallika Das and Elsie Henderson of the Business and Tourism Department of Mount Saint Vincent University, explores the question of whether accounting students differ from other students in terms of self-interest, concern for others, and ethical perceptions. Their study was inspired by recent high profile events where "the past involvement of accountants in fraudulent financial reporting has resulted in heightened attention of both business leaders and academics". In the latter case, Das and Henderson argue, there is a responsibility of accounting educators to identify and address the problem as emergent accountants undergo the early process of professional socialization. Based on a study of just under 1000 students "from an Atlantic Canadian university", Das and Henderson conclude that accounting students do differ significantly from students in other disciplines in terms of their level of self-interest and perceptions of academic dishonesty but not in their concern for others. These results are interesting for educators in that they indicate that accounting students "differ from marketing and management majors and from students in public relations and science programs in their level of self-interest and in their perceptions of academic dishonesty. Accounting students seem to have lower levels of self-interest and a higher level of academic honesty (i.e., they seem more ethical) than the others". Das and Henderson conclude that these results lead to many interesting questions: "Is

there something in the curriculum that makes them more ethical and/or less self-interested? From another perspective do these students already have these personality traits and as a result are drawn to the accounting profession? Of interest might be consideration as to whether there is a difference in the results for accounting, other business majors and non business students when other variables such as gender, age and year of study are considered. Further research is required to answer these questions”.

Finally, in our regular case study feature of the Workplace Review, we turn to a case study by Robert A. MacDonald and Heather Steeves from the Faculty of Business Administration of Crandall University. In ‘Sunshine Kayak Adventures: Fun, Sun, and a Flippin’ Lot of Mazuma’ MacDonland and Steeves focus on the decision to purchase a business. In the case, they trace “the experience of two would be adventure tourism entrepreneurs”. In the case, “the reader is challenged to adopt the role of consultant called in to advise the purchasers and to seek to determine whether a deal should be pursued”. The framework of the case focuses on discussions around issues of “the valuation of a going concern, the challenge of matching investor goals and objectives to suitable opportunities, and the requisites to engage in entrepreneurship”.

Finally, I would note that this case links us right back to the opening paper and the issue of adventure tourism – with evocations of sunshine, tourism and fun. Anything but snow!

Following a now established practice, papers for the Workplace Review are solicited from those submitted to and accepted by the annual conference of the Atlantic Schools of Business. So if you plan to present a paper at the 2015 conference, please consider sending it to the Workplace Review. We typically try to publish around 5 papers per issue. However, publication is not restricted to ASB papers and we encourage people to submit other contributions, including papers, cases, and even commentaries on existing contributions – please send them in for consideration to either myself (albert.mills@smu.ca) or our Managing Editor Isabella Krysa (isabella.krysa@smu.ca).

Helle Haven Petersen, MSc
Candace Blayney
Associate Professor
Depart. Business & Tourism
Mount Saint Vincent University

A Study of Female Adventure Travelers: Motivations and Risk Perceptions ¹

This research identified risks that women perceive before embarking on a Tall Ship travel adventure experience. It was found that most participants perceived the risk of social adaptability more so than the physical risks of working at heights (going aloft), weather events and other risks associated with tall ship sailing. Also motivations for embarking on the adventure included wishing to do something unusual that would challenge technical and social skills.

Introduction

Adventure travel has seen a significant growth over the past decade and by nature it involves risks greater than conventional tourism (Fletcher, 2011; Gyimothy & Mykletun, 2004; King & Beeton, 2006; World Tourism Organization, 2001). The view of adventure travel representing a method of bringing the “endeavour to extreme limits” (Gyimothy & Mykletun, 2004, p. 855) and offering some form of everyday life escape supports the notion of adventure travel being an activity focusing on overcoming challenges and taking great risk in doing so.

In 2009, George Washington University with the Adventure Travel Trade Association conducted their first study on adventure travel. The latest 2013 study shows a 65% year-over-year growth in the adventure travel market (Adventure Tourism Market Study 2013). As today’s market is driven by demand for such tourism products it is important to understand the motivations behind decisions to embark on adventure travel. There is also an increase in women participating in adventure tourism (Henderson & Roberts, 1998; Nolan & Priest, 1993) and there is little research on women’s motivations or risk perceptions to assist the industry even though there are many adventure travel companies that are targeting the female group.

Limited research has been conducted around the pursuit of risky outdoor activities and even less focus has been on the tall ship sailing industry. The following research has been inspired by a long-standing personal history of adventure traveling, in particular tall ship sailing, which combined with experience and curiosity, made for an obvious research topic for the master’s thesis. The overall aim of this research was to identify what motivates female adventure travelers to partake in high-risk activities like tall ship sailing as well as to identify the risks as perceived by them.

¹ Helle Haven Petersen is a graduate of the Bachelor of Tourism and Hospitality degree program from Mount Saint Vincent University. She completed her Masters in Tourism & International Development from University of Brighton and this paper is from her thesis.

Adventure tour

Swarbrooke, Beard, Leckie & Pomfret (2003) define adventure tourism as “travel and leisure activities that are bought into in the hope that they will produce a rewarding adventure experience” (p.27). Adventure travelers seek experiences that often involve risk, exhilaration, stress and even fear (Bentley & Page, 2001). Adventure travel offers some form of everyday life escape and offers activities that may focus on overcoming challenges and taking risks. Swarbooke et al (2003) states the core characteristics of adventure travel to include “uncertain outcomes, danger and risk, challenge, anticipated rewards, novelty, stimulation and excitement, escapism and separation, exploration and discovery, absorption and focus (as well as) contrasting emotions” (p. 9).

Hodgson and Berry (2011) found that overcoming one’s fear and accepting the challenge is an important part of the adventure. The activity gives the participant the thrill and also the satisfaction of conquering the challenge and personal growth. Schlegelmilch and Ollenburg (2013) found aspects as thrill, fear and risk as important elements in adventure tourism and words such as “challenge”, “conquering fears”, and “thrill” were associated with the term “adventure”. They concluded that facing these fears or challenges is the main motivator but fun still needs to be a big part of the activity. See Figure 1.

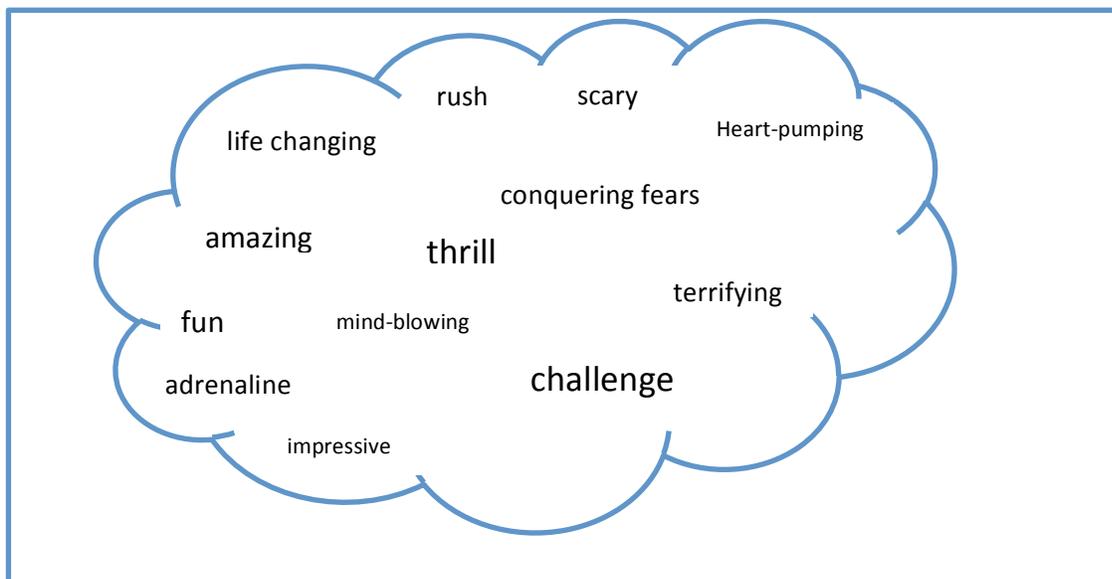


Figure 1: Association with the term ‘adventure’ from Schlegelmilch and Ollenbure (2013, p. 51)

Adventure tourism has been categorized on a continuum to explain the diverse types of behaviour with mild or soft adventure at one end and extreme or hard adventure at the other extreme (Swarbrooke, 2003). Tall ship travel would fit into the category of hard adventure with a focus on working the ship to learn seamanship and seafaring on longer voyages.

Women and adventure travel

Gender differences in risk taking has been widely researched (Breakwell, 2007; Elsrud, 2001; Flynn, Slovic & Mertz, 1994; Gustafson, 1998; Hudson & Inkson, 2006; Lepp & Gibson, 2003; Simpson & Siguaw, 2008; Slovic & Weber, 2002; Zukerman, 2007). Simpson and Siguaw (2008) found that perception of risk was not significantly related to gender. Sonmez and Graefe (1998) found gender does not influence an individual's perception of risk but other research such as Gustafson (1998) and Siegrist, Cvetkovich, and Gutscher (2002) found strong evidence of gender differences in both risk perception and risk taking. Gender is also correlated with other variables such as income, education, social background and work experience which can further impact risk perceptions. Reichal, Fuchs and Uriely (2007) found female backpackers tended to avoid risk but Rys (2011) argues that the increase of female adventure travelers is best described by their need to develop instinct of survival. McCulloch et al (2010) found in a study on sail training as an educational program, that there was a tendency for the women to more likely express anxiety on some measures but the small sample size prevented any conclusions.

Another study (Finkelstein & Goodwin, 2005) on tall ship sailing found the females as more likely to take advantage of the tall ship learning opportunities and showed a significantly higher level of relationship building onboard. Female trainees were found to achieve goals through the use of teamwork and cooperation as the male crew used leadership. The assumption that female travelers have a lower risk propensity than male travelers leads to the creation of stereotypes and possible discrimination.

Motivations and risks of tall ship sailing

What motivates one to take a prolonged voyage of work and commitment on the great sea? Is it the search for the ultimate rush and fear yet be fascinated by the unknown or is it a need to stand out and do what no one else has done? King and Beeton (2006) found that media coverage of adventure tourism increases the perception of risk, but rather than discouraging participation, it was found that it encouraged youth to participate and ignore the obvious risks.

Tall ship travelling has gained worldwide recognition for its original and adventurous characteristics (Swarbrooke et al, 2003). McCulloch et al (2010) in a major study on the real value of sail training, suggests that while in the past the focus has been on sailing for the purpose of an adventure, participants are now looking for more. Calling it a "powerful educative experience" (2010, p.661) McCulloch et al claim that in modern sail training programmes it is the combination of traditional seamanship and the unique environment that provides the basis for learning and adventure.

This thesis was based on experience and research on a Nova Scotia based tall ship. One of the three-masted tall ships based on the East Coast of Canada is known for its sail training voyages around the world. Registered in the Cook Islands, the ship has been operating as a sail training ship since the first world voyage in 1997. It is unique for its long voyages and almost exclusive focus on seamanship and seafaring. Safety is a top priority for the ship and her crew. There is a statement on the ship's website: "it is a fact of maritime life that no ship that puts to sea is invulnerable or immune from accidents" (www.picton-castle.com). The Article of Trainee Engagement (Appendix III: 1-2) state:

The objective of the Voyage and of these Articles is to achieve a successful and safe seagoing and sail training experience for the Sail Trainee on terms (including economic and operational terms) that are reasonable for the Owners and the Vessel...Trainees join the Vessel fundamentally in order to obtain the benefit of the experience offered, including (without limitations) elements of sail training, acquisition of traditional skills of

the mariner, personal growth, including interpersonal interaction and growth, exposure to other cultures and environments, and the general benefit of travel and adventure.

The Articles of Trainee Engagement make it clear that trainees should expect both the challenges and the satisfactions of a working traditional ship, which may include and cause discomforts, difficulties and dangers. Part VI of the Articles titled “Acknowledgement and assumption of risk and limitation of liability” outlines the potential risks associated with the voyage. It states “certain risks cannot be eliminated or reduced without destroying the unique character of the Voyage”. Common examples of risk onboard include: working aloft, weather and sea conditions, sloping, and moving and/or wet decks. The Articles explain that making the decision to participate on the voyage “must be addressed with at least the same sober balancing of risk versus personal benefit” as one would take in making the decision against better known adventure challenges. Examples of such challenges are given such as mountain climbing, motor racing, scuba diving, white-water rafting, and solo aviation. Assuming full responsibility for and risk of bodily injury or death, the trainee is signing off on an important document. The document also explains the importance that each trainee must exercise the highest degree of self-reliance, care, self-awareness and awareness of the constant presence of risk.

As a sailing training vessel, the ship with its registration in the Cook Islands holds a number of safety certificates, including “Approved Training Program Certificate”.

Methodology

A focus group was used consisting of three female tall ship adventure travelers to provide guidance in the development of a set of focused interview questions. Once the questions were designed the individual interviews were conducted via SKYPE and email. Recruitment of respondents occurred by using a letter that was sent out to all former trainees with the criterion clearly stating “Participants must have sailed as a trainee, and be between 18 and 65 years of age”. Results included a total of ten participants that completed the interview questions.

The following questions were asked in the individual interviews.

1. Before joining as a trainee, explain what concerns did you have in relation to the risks involved with the trip.
2. During your stay, did your perception of risk change? If so, why do you think it changed?
3. Explain what motivated you to join the ship.

The interviews were transcribed and data was organized into categories relating to the questions. The interviewees were labeled number one through ten. Most participants had no previous sailing experience prior to joining the tall ship, but the majority had some form of previous outdoor adventure experience, including camping, hiking and outdoor learning like scouts or wilderness training. Only a few participants had actual tall ship sailing experience. A large number of participants came from a working professional background, and thus left jobs in order to join the ship.

Results

All participants qualified for the age requirement, and the group ranged from 18- 47 years of age. Nine participants resided in North America and one was from the United Kingdom. No information on educational and socio-economic background was collected.

In response to the first question asking about what concerns they had about risks, the social aspect of joining the ship was a theme, consistently showing up in every interview. Here are some of the statements from the respondents.

"I was more concerned with the social aspect and the incredible learning curve than I was considering the risks involved ..."(3)

"I didn't know what risks to be concerned about...I was more concerned with the personal stuff..."(4)

"...the biggest risk I perceived was that of completely changing the path I was on at the time... and the personal stuff, like sharing the space and overcoming my shyness...."(6)

"...I was more worried about the emotional risk than the physical...I wanted to fit in and have people like me..."(8)

The themes that emerged from the second question on what made participants change their risk perception was that with experience, confidence and training, some risks become more manageable and some became more real. The following are some examples of direct quotes.

"... as I became more experienced... I began to respect the sea more but was not afraid..."(3)

"...as my confidence and experience grew some of the risks were alleviated...but some just grew the longer I was onboard..." (5)

"...the more I know, the more I'm nervous..." (3)

"...in hindsight, not recognizing the risks was naïve...once I spent time onboard, I realized the importance of what had been outlined to me prior to the trip...the importance of on-board safety training..."(1)

"...it's like once you do one scary thing and it goes well, it's much easier to do others..."(8).

"...the concerns I had before I joined the ship stopped being worrisome once I was exposed to them...I engaged in risky and potentially dangerous tasks every day, but I was hyper vigilant about personal safety..."(10)

For some, having a "close call" did not only change the perception of risk, it also had an impact on their overall experience.

"...at first I felt fearless in the rig and had almost no fear of going aloft...a couple of close calls made me more hesitant and eventually I became terrified of going aloft...being overly turned in to the risk of being aloft...to my own detriment..."(6)

"...it all changed after I fell down from the boom and after slipping while aloft... (7)

Personal development was a theme in the responses and some said that the trip was a life changing experience.

“...the ship has changed my life in a way that no other experience could...not only did I learn about myself but the world around me...it opened my eyes in ways that are beyond explanation really...”(1)

“...the experience was wonderful and I grew as a person...became more confident. I think of it every day... (8).

Another theme was being able to teach others was a very important outcome and had great value.

“...when new trainees came on, I became the one to go aloft with them....I was hyperaware of what to do up there to be safest, and would teach them too....”(2)

“...later as I gained leadership responsibilities and became directly responsible for other people...pretty much everything looked risky, but I learned to balance one risk for another...”(6)

“...I learned a lot...I mean I can learn what I need to learn and being willing to do that is half the battle...”(8)

“...I was taught how to manage risk...”(10)

The third question on motivations revealed various themes in the responses. In accordance with age, motivations for joining the tall ship varied from defining boundaries, taking on an adventurous challenge and wanting a life changing experience.

“...I wanted to sail around the world...”(5)

“...I had dreamed of sailing around the world on a square-rigger for years...just didn't know if it was possible... (6)

“...an urge for adventure, having sailed before I was longing for the ocean...”(7)

“...I had an enormous love for sailing and I was totally infatuated with ocean sailing...I was dying for adventure...”(9)

Another theme for motivations was labeled as a desire for change.

“...I wanted to be different...to be challenged and tested and live outside my comfort zone. I like that...I mean, I like being bold and daring within reason... (10)

“...I wanted a life change, I guess... I always loved the idea of adventure, even as a kid, so this was the perfect thing for me to do... (2)

“...I wanted to try sailing on a tall ship and see what I could do...I also wanted an adventure, a break from the norm...I just wanted to do something that not many people can say they have done... (3)

“...I was just at a crossroad in my life...I needed a break from reality and I wanted to go to places I'd never seen before and travel in a way that not many people get to do...”(4)

Discussion

Accepting the fact that adventure travel is increasing for young people (Cater, 2006), this research explored three areas: the perceptions of risk prior to joining the tall ship on a world sailing adventure, the changes in risk perceptions after the experience, and motivations for taking the journey. Considering what the tall ship offers as an experience it is perhaps safe to assume that there is a risk element in joining a tall ship voyage and that it would play a significant role in the decision process to take the voyage. Weather, seasickness, and working at heights are the most common anticipated concerns (McCulloch et al, 2010). However this research found that the social aspect of joining a tall ship was perceived as the biggest risk. Other concerns did include financial considerations, being away from home and the actual skills required to participate in the sailing program. Only one respondent indicated going aloft as a major concern and none identified seasickness as a risk.

Based on the assumption that risk is a subjective matter, typically influenced by cultural, financial or social factors (King & Beeton, 2006; Kozak, Crotts, & Law, 2007; Law, 2006; Roehl & Fesenmaier, 1992; Slovic, 2000; Swarbrooke et al, 2003) the outcomes of this research is perhaps not surprising but it does challenge the view of Fletcher (2011) who claims that for most adventure travelers, it is not the actual experience of real risk that attracts them but merely the perception of risk. The research found that for some respondents, the real risks associated with sailing on a tall ship were ignored, in spite of the clear description in the Articles of Trainee Engagement. For the majority, the perceived risk of not being able to adapt socially was most common. From a female perspective, these findings can be related to those of Flynn et al, (1994) who found that female travelers, by nature, tend to worry about the social, health and safety issues more than male travelers.

An important point is made by Cater (2006) that although a close relationship exists between real risk and perceived risk, real risk is clearly a statistical measure, quantifiable and somewhat predictable whereas perceived risk “is an essence, and hence profoundly qualitative” (p. 322). This research findings could be explained as prior to signing up for the voyage, participants simply did not know of the risks involved and so did not describe any perceived ones. Perhaps the notion of tall ship life as described by Moreland (2004) is a reasonable suggestion as to why actual risks associated with tall ship sailing are not perceived.

The sailing ship life, while rigorous, is a rich one. Being under the sun and stars, feeling the sea breezes, visiting tropical islands and overseas ports, sailing before the tradewinds, and a strong, well-found square-rigged ship under your feet and in your hands – all make up an experience you will never forget (p. 5).

This portrayal of a tall ship as an adventurous activity is not representing the actual travel risks involved with such activities and may over sell the experience. The perceptions prior to joining the ship in this research were mainly positive and focused on the social elements of meeting new people and getting along with them.

Law (2006) found that establishing a level of confidence is a crucial aspect for adventure operators and McCulloch et al, (2010) agrees that with time, experience, development of self-confidence and skills, the perception of risk was likely to change. This view is consistent with this research where it suggests that with the experience came respect of the environment, appreciation for on-board safety, elimination of concerns relating to skill level, and in increased awareness on personal safety. The greatest changes were described by respondents who had been exposed to the real risks, such as going aloft. It appears that a negative experience influenced the perception of risk in a negative manner. Some respondents found that the more experience they gained, the more risky they perceived sailing. However,

for the majority, risk become more manageable or was alleviated as the experience of being a tall ship sailor increased their confidence.

The most frequent motivation stated in this research was the idea of doing something unusual and novel that challenge technical and social skills. This is consistent with McCulloch et al (2010) who found "...ideas of challenge and novel experience, meeting new people, and a general interest in simply being at sea and experiencing a seafaring or maritime environment" as the most frequent reason for participating in a tall ship experience.

This study focused on the female risk perceptions and motivations. Falconer (2011) discussed the "masculine traits of adventure narratives" (p. 66) and suggest that female travelers include elements of risk in order to feel fully accomplished in their journeys – journeys that often seek to develop self-confidence. Female travelers are perceived to be less risky and generally worry more about risk and danger (Breakwell, 2007; Nolan & Priest, 1993; Zuckerman, 2007). There is little evidence in this research to support this view. Most of the respondents stated that the idea of risk and danger made it even more exciting.

Limitations

This researcher recognizes that both the focus group and the individual interview respondents were known to the interviewer and all belong to the tall ship network. The objectiveness of both interviewer and interviewees may have been compromised. This is a small sample and cannot be used to make major conclusions.

Conclusions

Understanding how risk is defined in our society plays an important role in the understanding of adventure travel and risk perception especially as this travel niche is in a growth stage. When trying to understand the concept of adventure travel, it becomes apparent that risk plays an integral role, not only as being a real risk in the activity itself, but also in the perception and management of the risks associated with adventure activities. Extensive research has been done in the area of risk perception and adventure travel and the notion of seeing adventure for the thrill and personal satisfaction is accepted. Risk perception is subjective and factors such as age and experience can impact its degree. The most interesting find in this research was the social aspect of joining the ship being considered as the greatest risk by the majority of respondents.

This was a limited study of a small group and future research is required to further explore the risk perception and decision process for adventure travel especially for women. This will decrease stereotyping and may open the door for more young females to consider tall ship experiences.

References

- Adventure Tourism Market Study. (2013). *George Washington University and Adventure Travel Trade Association*. Retrieved from [http://www.fairtrade.travel/uploads/files/ATTA - Adventure Tourism Market Study 2013.pdf](http://www.fairtrade.travel/uploads/files/ATTA_-_Adventure_Tourism_Market_Study_2013.pdf)
- Bentley, T. A., & Page, S. J. (2001). Scoping the Extent of Adventure Tourism Accidents. *Annals of Tourism Research*, 28(3), 705-726.

- Breakwell, G.M. (2007). *The Psychology of Risk*. Cambridge: Cambridge University Press.
- Cater, I. (2006). Playing with Risk? Participant Perceptions of Risk and Management Implications in Adventure Tourism. *Tourism Management*, 27(2), 317-325.
- Elsrud, T. (2001). Risk Creation in Traveling: Backpacker Adventure Narration. *Annals of Tourism Research*, 28(3), 597-617.
- Falconer, E. (2011). Risk, Excitement and emotional Conflict in Women's Travel Narratives. *Recreation and Society in Africa, Asia & Latin America*, 1(2), 65-89.
- Finkelstein, J., & Goodwin, S. (2005). *Sailing into the Future: Final Report on ARC Linkage Research Project*. Young Endeavour Youth Scheme and Sydney University Research Report. Retrieved from <http://www.youngendeavour.gov.au/uploads/Research%20Paper%20-%20Sailing%20into%20the%20Future.pdf>
- Fletcher, R. (2011). The Only Risk is Wanting to Stay Alive: Mediating Risk in Columbian Tourism Development. *Recreation and Society in Africa, Asia & Latin America*, 1(2), 7-30.
- Flynn, J., Slovic, P., & Mertz, C.K. (1994). Gender, Race, and Perception of environmental health Risk. *Risk Analysis*, 14, 1110-1108.
- Gustafson, P.E. (1998). Gender Differences in Risk Perception: Theoretical and Methodological Perspectives. *Risk Analysis*, 18(6), 805-811.
- Gyimothy, S., & Mykletun, R.J. (2004). Play in Adventure Tourism: The Case of Arctic Trekking. *Annals of Tourism Research*, 31(4), 855-878.
- Henderson, K., & Roberts, N. (1998). An Integrative review on the Literature on Women in the Outdoors. Coalition for Education in the Outdoors. *Fourth Research Symposium Proceedings*, 9-21.
- Hodgson, C., & Berry, M. (2011). *Adventure Education: An Introduction*. Hoboken, NJ: Routledge.
- Hudson, H., and Inkson, K. (2006). Volunteer overseas development workers: The hero's adventure and personal transformation. *Career Development International*, 11(4), 304-320.
- King, R., & Beeton, S. (2006). Influence of Mass Media's Coverage of Adventure Tourism on Youth Perceptions of Risk. *Tourism Culture & Communication*, 6(3), 161-169.
- Kozac, M., Crotts, J.C., & Law, R. (2007). The Impact of the Perception of Risk on International Travelers. *International Journal on Tourism Research*, 9(4), 233-242.
- Law, R. (2006). The Perceived Impact of Risks on Travel Decisions. *International Journal of Tourism Research*, 8(4), 289-300.
- Lepp, A., & Gibson, H. (2003). Tourist Roles, Perceived Risk and International Tourism. *Annals of Tourism Research*, 30(3), 606-624.
- McCulloch, K., McLaughlin, P., Allison, P., Edwards, V., & Tett, L. (2010). Sail training as education: more than mere adventure. *Oxford Review of Education*, 36(6), 661-676.
- Moreland, D. (2004). Carrying the Age of Sail. *National Maritime Historical Society*. Retrieved from www.picton-castle.com/Sea-History-Article.pdf
- Nolan, T., & Priest, S. (1993). Outdoor Programmes for Women Only? *The Journal of Adventure Education and Outdoor Leadership*, 10, 14-17.
- Reichel, A., Fuchs, G., & Uriely, N. (2007). Perceived Risk and the Non-institutionalized Tourist Role: The Case of Israeli Student Ex-Backpackers. *Journal of Travel Research*, 46(2), 217-226.
- Roehl, W.S. & Fesenmaier, D.R. (1992). Risk Perceptions and Pleasure Travel: An Exploratory Analysis. *Journal of Travel Research*, 30(4), 17-26.
- Rys, R. (2011, February). Why Young Women are Taking Deadly Risks. *Cosmopolitan*, 162-165.
- Schlegelmilch, F., & Ollenburg, C. (2013). Marketing the Adventure: Utilizing the Aspects of Risk/fear/thrill to Target the Youth Traveller Segment. *Tourism Review*, 68(3), 44-54.
- Seigrist, M., Cvetkovick, G., & Gutscher, H. (2002). Risk Preference Predictions and Gender Stereotypes. *Organizational Behavior and Human Decision Processes*, 87(1), 91-102.
- Simpson, P.M., & Siguaw, J. (2008). Perceived Travel Risks: The Traveler Perspective and Manageability. *International Journal of Tourism Research*, 10, 315-327.
- Slovic, P. (2000). *The Perception of Risk*. London: Earthscan Publications Ltd.

- Slovic, P., & Weber, E.U. (2002). Perception of Risk Posed by Extreme Events. *Prepared for the Conference Risk Management Strategies in an Uncertain World, Palisades, New York, April 12 – 13.*
- Sonmez, S.F., & Graefe, A.R. (1998). Determining Future Travel Behaviour from Past Travel Experience and Perceptions of Risk and Safety. *Journal of Travel Research*, 37(2), 171-177.
- Swarbrooke, J., Beard, C. Leckie, S. & Pomfret, G. (2003). *Adventure Tourism: The New Frontier*. Oxford: Butterworth Heinemann.
- World Tourism Organization. (2001). *Tourism 2020 Vision - Global Forecast and Profiles of Market Segments*. Madrid: WTO.
- Zukerman, M. (2007). *Sensation Seeking and Risky Behaviour*. Washington: American Psychological Association.

Sébastien Deschênes
Monique Levesque
Tania Morris
Egbert McGraw
Faculté d'administration
Université de Moncton

La représentativité régionale des plus grandes sociétés publiques canadiennes

Les sièges sociaux sont importants pour l'économie d'une région pour le dynamisme économique qu'ils créent dans une région. La recherche a pour objectifs d'identifier si 1) les sièges sociaux des plus grandes sociétés publiques canadiennes et si 2) les administrateurs siégeant aux conseils d'administration de ces sociétés se répartissent d'une façon proportionnelle à la démographie des différentes provinces canadiennes. Les résultats de la recherche montrent que l'Alberta est fortement représentée sur ces deux plans et que l'ensemble des autres provinces sont sous-représenté.

I. Introduction

Cette étude a pour objectif d'analyser la représentativité régionale du pouvoir de décision chez les plus grandes sociétés publiques canadiennes. Elle cherche à savoir si les sièges sociaux effectifs se répartissent entre les diverses provinces sur une base similaire à celle du prorata de la population. Comme les études antérieures ont démontré que les sièges sociaux tendent à se concentrer dans les grands centres urbains tant dans le contexte canadien que celui mondial (Bloom et Grant, 2011), la présente étude pousse le regard plus loin pour analyser si l'effet de la concentration de ces sièges sociaux est atténué par une plus grande représentativité régionale des administrateurs siégeant aux conseils d'administration.

II. Les sièges sociaux

Les sièges sociaux sont importants pour l'économie d'une région (Institute for Competitiveness & Prosperity, 2008) ou d'une province pour de multiples raisons. La recherche considère ici les sièges sociaux effectifs où les décisions stratégiques se prennent et non ceux officiels pouvant se justifier pour des raisons politiques comme le cas de la Banque Royale dont le siège social est à Montréal ou historiques comme celui de la banque Nouvelle-Écosse dont le siège social est à Halifax. Les sièges sociaux sont importants, car c'est là que se prennent les décisions sur l'allocation des ressources de l'entreprise. Ils constituent le centre névralgique des décisions sur la localisation des installations, les fusions et acquisitions et le choix des fournisseurs par exemple. Les études antérieures semblent démontrer que ces décisions ont tendance à favoriser la région où se situe le siège social (Bloom et Grant, 2011). Il s'agit aussi d'un endroit où se concentrent des emplois hautement qualifiés et très bien rémunérés¹ contribuant à la vitalité économique régionale. Ces centres de décisions font vivre dans leur

¹ Pour donner une idée de l'importance de cette rémunération Mackenzie (2014) fait ressortir que la rémunération totale pour les PDG des 240 sociétés cotées sur l'indice TSX aurait été de 7,96 millions de dollars en 2013. Puisque cela met seulement en évidence le salaire des cadres supérieurs, on peut

sillage une multitude de professionnels de la consultation qui sont eux aussi hautement qualifié et bien rémunérés. À ce titre, il est possible d'identifier, par exemple, les bureaux d'avocats et de comptables. Le biais décisionnel en faveur de la région pourrait aussi se faire valoir au niveau des activités philanthropiques de l'entreprise.

Les sièges sociaux des entreprises se situent généralement dans des lieux différents des activités opérationnelles de production pour permettre une gestion plus détachée du portefeuille d'actifs (Bloom et Grant, 2011). Ce détachement des opérations permet aux sièges sociaux de se localiser par exemple dans les tours de bureaux des centres-villes. L'attraction des grandes villes pour les sièges sociaux provient de l'accès à une main-d'œuvre qualifiée (ex.: présence d'universités), des infrastructures publiques (ex.: aéroport permettant aux dirigeants de se déplacer rapidement) et de l'accès au financement (ex.: institutions financières) (Bloom et Grant, 2011). Les entreprises d'un même secteur ont aussi tendance à se concentrer dans une même ville et à former des grappes industrielles de sièges sociaux afin de bénéficier de certains avantages compétitifs (Porter, 2000; Glasmeier, 1988). Les différentes juridictions peuvent aussi entrer en compétition en ce qui concerne la fiscalité pour attirer les sièges sociaux.

Les plus grandes sociétés publiques canadiennes considérées sont celles composant l'indice composé S&P/TSX de la bourse de Toronto. Cet indice se composait de 242 entreprises en janvier 2014. De ces 242 entreprises, 234 avaient leur siège social effectif au Canada si on considère l'adresse officielle de l'entreprise selon la base de données Thomson One. Le tableau 1 présente la localisation par province de ces 234 entreprises et le pourcentage de la population canadienne de chacune des provinces canadiennes en avril 2014 selon Statistique Canada.

Tableau 1
Localisation par province des sièges sociaux des entreprises composant l'indice composé S&P/TSX

Provinces	Nombre de sièges sociaux	Pourcentage des sièges sociaux	Pourcentage de la population canadienne	Nombre théorique sièges sociaux	Surreprésentation Sous représentation	Pourcentage du nombre théorique
T.-N. et L.	1	0,4%	1,5%	4	(3)	27,8%
I.P.E.	0	0,0%	0,4%	1	(1)	0,0%
N.-É.	4	1,7%	2,8%	6	(2)	62,2%
N.-B.	1	0,4%	2,2%	5	(4)	19,1%
Prov. Atla.	6	2,6%	7,0%	16	(10)	36,9%
Québec	32	13,7%	23,6%	55	(23)	57,9%
Ontario	82	35,0%	38,4%	90	(8)	91,3%
Manitoba	5	2,1%	3,6%	8	(3)	59,2%
Saskatchewan	2	0,9%	3,1%	7	(5)	27,7%
Alberta	79	33,8%	10,9%	25	54	310,0%
C.-B.	28	12,0%	13,1%	31	(3)	91,1%
Total	234	100,0%	99,7%	233		

L'analyse de ces résultats montre que de ces 234 sièges sociaux, 82 (35%) sont situés en Ontario et 79 (33,8 %) en Alberta laissant loin derrière le Québec à 32 et la Colombie-Britannique à 28 qui représentent respectivement 13,7 % et 12 % des entreprises de l'indice. Aucune des autres provinces ne compte plus que 5 entreprises cotées à l'indice. Les 4 provinces atlantiques regroupées ne sont représentées que par 6 entreprises.

s'imaginer l'impact économique que peut avoir un siège social dans une région si on considère tous les salaires.

L'analyse est ensuite raffinée en comparant la représentativité régionale au prorata de la population canadienne. Le lecteur averti remarquera que la somme des pourcentages de la population des 10 provinces canadiennes ne donne pas 100 % étant donné qu'il existe 3 territoires au Canada. Le pourcentage de la population canadienne de la colonne 4 est ensuite utilisé à la colonne 5 pour calculer le nombre théorique de sièges sociaux qui devrait être localisé dans chaque province selon une répartition au prorata de la population. Ce nombre théorique comparé au nombre réel permet de dégager à la colonne 6 une surreprésentation ou une sous-représentation pour chacune des provinces. Il ressort de ces résultats que toutes les provinces sont sous-représentées à l'exception de l'Alberta. En effet, même si l'Ontario est représenté par plus d'entreprises que l'Alberta 82 par rapport à 79, une fois pris en considération sa population près de 4 fois plus importante, elle devient sous-représentée. La surreprésentation de l'Alberta pourrait s'expliquer par la force de l'économie poussée par l'industrie pétrolière et la plus grande propension des entreprises de ce secteur à devenir publique.

La 7^e colonne aide le lecteur à se donner une idée de l'ampleur de la surreprésentation ou de la sous-représentation en faisant le rapport du nombre réel d'entreprises sur le nombre théorique. L'Alberta est à 310 % au-dessus de son nombre théorique signifiant qu'elle compte 3 fois plus de sièges sociaux que son prorata de la population canadienne. L'Ontario à 91,3 % et la Colombie-Britannique à 91,1 % ont à peu près leur prorata de sièges sociaux. On aurait pu penser que l'Ontario, lieu géographique de la Bourse de Toronto, aurait été plus avantagé en s'inscrivant comme le centre financier canadien. Les autres provinces sont toutes à moins de 70 % de leur prorata.

La collecte de données a permis de faire ressortir un phénomène marqué de grappes industrielles au Canada où les sièges sociaux de l'industrie pétrolière se situe en Alberta, ceux de l'industrie financière à Toronto et ceux de l'industrie minière à Toronto et à Vancouver. Les sièges sociaux situés au Québec, principalement à Montréal, sont moins associés à un secteur spécifique et sont plus tributaires de l'identité propre de la province. Les résultats, somme toute prévisibles, montrent que les sièges sociaux au Canada se concentrent dans les plus grands centres urbains de Toronto, de Calgary, de Montréal et de Vancouver ne laissant que peu de place pour les Prairies et les provinces de l'Atlantique.

Le constat qui ressort de l'analyse est qu'à l'exception de l'Alberta, de l'Ontario et de la Colombie-Britannique, les autres provinces sont fortement sous-représentées. La seconde partie de la recherche visera à voir si cette sous-représentation est en contrepartie atténuée par la présence aux conseils d'administration d'administrateurs provenant des provinces sous-représentées.

III. Les administrateurs

La présence de sièges sociaux pour une région, due au pouvoir décisionnel, fait en sorte que cette dernière a tendance à être avantagée lors de l'allocation des ressources et des activités philanthropiques (Bloom et Grant, 2011). Cependant, l'ultime pouvoir décisionnel concernant les orientations stratégiques ne relève pas du président directeur général et de son équipe de gestion, mais plutôt du conseil d'administration de l'entreprise. Les conseils d'administration sont confrontés et doivent voter sur les décisions importantes auxquelles fait face l'entreprise, que ce soit les fusions, les acquisitions ou la fermeture d'usines. Les discussions au sein de ces conseils ont donc un impact sur les décisions stratégiques. (Harris et Helfat, 2007). Selon Finkelstein & Mooney (2003), l'interrelation entre les membres du conseil d'administration peut être considérée comme un réseau, qui a un influence auprès du président directeur général, mais qui établit les règles et qui distribue les rôles et les influences au sein de ce conseil. De plus, Zojac ((2001) a démontré que la structure et la composition démographique jouent un rôle important dans l'orientation du conseil. À cet effet, la diversité régionale chez les administrateurs pourrait en quelques sorte faire contrepoids à la propension de l'équipe de gestion à favoriser la région du siège social. L'objectif de la recherche n'est pas ici de démontrer si cette diversité arrive à cette fin, mais

plutôt à déterminer si au Canada les régions détenant peu de sièges sociaux de sociétés publiques d'importance arrivent quand même à être représenté dans les conseils d'administration. Ces administrateurs, provenant des provinces moins favorisées en sièges sociaux, seraient alors en mesure de faire valoir les atouts de leurs régions par exemple pour l'implantation d'un centre de production ou lors de l'identification des causes philanthropiques à supporter. Le tableau 2 fait état de la représentativité provinciale des administrateurs de 239 des 242 entreprises composant l'indice composé S&P/TSX. L'exclusion de 3 entreprises s'explique par l'absence d'information dans la circulaire d'information sur le lieu de résidence des administrateurs.

Tableau 2
Lieu de résidence des administrateurs des sociétés composant l'indice composé S&P/TSX

Provinces	Nombre d'administrateur	Pourcentage des administrateurs	Pourcentage de la population canadienne	Nombre théorique d'administrateurs	Surreprésentation Sous représentation	Pourcentage du nombre théorique
T.-N. et L.	8	0,5%	1,5%	27	(19)	29,3%
I.P.E.	0	0,0%	0,4%	7	(7)	0,0%
N.-É.	35	2,0%	2,8%	49	(14)	71,9%
N.-B.	10	0,6%	2,2%	40	(30)	25,2%
Prov. Atla.	52	2,9%	7,0%	123	(71)	42,2%
Québec	273	15,4%	23,6%	418	(145)	65,3%
Ontario	659	37,2%	38,4%	680	(21)	96,9%
Manitoba	32	1,8%	3,6%	64	(32)	50,1%
Saskatchewan	20	1,1%	3,1%	55	(35)	36,5%
Alberta	510	28,8%	10,9%	193	317	264,4%
C.-B.	224	12,6%	13,1%	233	(9)	96,3%
Total	1771	100,0%	99,7%	1765		

L'analyse du tableau 2 sur les administrateurs se présente sous la même forme que celle du tableau 1 sur le lieu des sièges sociaux. On voit que parmi les 1 771 administrateurs recensés 37,2 % et 28,8 % proviennent respectivement de l'Ontario et de l'Alberta. Le Québec et la Colombie-Britannique suivent avec respectivement 15,4 % et 12,6 % ne laissant qu'un maigre 5,8 % pour les autres provinces.

Lorsque l'on considère l'importance démographique des provinces, l'Alberta montre encore une forte surreprésentation avec ses 510 administrateurs. Elle ne devrait qu'en avoir 193 si on considère son prorata de la population canadienne, c'est-à-dire que le nombre d'administrateurs représente 264 % du nombre théorique. Cette surreprésentation est toutefois moins importante que celle affichée pour les sièges sociaux de 310 % (voir tableau 1) laissant ainsi plus de place pour les autres provinces. Toutefois, aucune autre province canadienne n'est surreprésentée quand on considère son poids démographique. Elles sont cependant toutes moins sous-représentées à l'exception du Manitoba qui bénéficie de deux sièges sociaux émanant du secteur financier soit ceux de la Great-West et de IGM Financial, tous deux liés à la société de Holding Power Corporation du Canada.

L'Ontario à 96,9 % et la Colombie-Britannique à 96,3 % sont à peu près équilibrés en regard de leurs proportions dans la démographie canadienne. Ces chiffres se comparent avantageusement à ceux respectifs de 91,3 % et 91,1 % (voir tableau 1) chez les sièges sociaux. Ces provinces sont donc à un peu plus de 5 % près de leur représentation proportionnelle quand on considère les administrateurs au lieu des sièges sociaux. Le bond est plus important pour le Québec. Les 273 administrateurs québécois (15,4 %) sont bien en deçà d'une représentation au prorata 418 (23,6 %). La sous-représentation est toutefois moins prononcée que pour les sièges sociaux, car les administrateurs québécois représentent 65,3 % du chiffre théorique alors que les sièges sociaux ne sont que 57,9 % de ce qu'ils devraient être en regard du prorata de la population canadienne. Les sociétés publiques des provinces à majorité anglophone porteraient donc une attention particulière à la présence de Québécois au sein de leur conseil

d'administration. Le Manitoba et la Saskatchewan n'ont respectivement que 1,8 % et 1,1 % des administrateurs pour une représentation totale de 2,9 % ce qui est bien inférieur à leur pondération de la population canadienne de 6,7 %. Ce déficit d'administrateurs se traduit par un manque de 67 administrateurs par rapport à leur quote-part. Ce faible nombre d'administrateurs s'expliquerait par le faible nombre de sièges sociaux et l'affiliation de ces provinces à la grande région des prairies qui est déjà souvent représentée par des administrateurs albertains chez les entreprises n'ayant pas leur siège social dans cette région. La force économique de l'Alberta imposerait un administrateur de cette province au détriment du Manitoba et de la Saskatchewan. Les 4 provinces Atlantiques sont quant à elles représentées par le même nombre d'administrateurs, soit 52, que le Manitoba et la Saskatchewan en dépit d'une population légèrement supérieure. Les 4 provinces de l'Atlantiques regroupent 7 % de la population canadienne contre 6,7 % pour le Manitoba et la Saskatchewan. Il en résulte donc une sous-représentation encore plus importante de l'Atlantique. Le nombre d'administrateurs provenant des ces provinces ne représentant que 42,2 % de ce qu'il devrait être en regard d'une pondération selon le poids démographique. Il s'agit tout de même d'une amélioration (5,3 %) quand on compare cette pondération à celle de 36,9 % affichée en ce qui concerne les sièges sociaux. Il est à noter que sur les 52 administrateurs de l'Atlantique 35 résident en Nouvelle-Écosse, soit 67 %. Cette concentration s'expliquerait par le fait que 4 des 6 entreprises de l'Atlantiques ont leur siège social en Nouvelle-Écosse et par un intérêt plus marqué des entreprises canadiennes soucieuses d'une représentation de l'Atlantique à considérer la présence d'un administrateur de cette province.

IV. Conclusion

L'Alberta est largement surreprésentée tant en ce qui a trait aux sièges sociaux qu'aux administrateurs. La surreprésentation est un peu moins prononcée pour les administrateurs. Il en résulte, qu'en contexte canadien, la composition des conseils d'administration pallierait que très partiellement à la concentration des sièges sociaux. La concentration des sièges sociaux vers les centres urbains est un phénomène déjà bien connu (Bloom et Grant, 2011). La provenance des administrateurs est un sujet moins traité. La présente étude fait ressortir un lien entre l'emplacement des sièges sociaux et le lieu de résidence des administrateurs, car les provinces où les sièges sociaux sont relativement plus présents jouissent aussi d'un plus grand nombre d'administrateurs.

La présente recherche considère uniquement les sociétés publiques. Dans une perspective plus large, il serait intéressant de regarder aussi les entreprises privées. Statistique Canada fait état, par province, des 500 plus grandes entreprises canadiennes (publiques et privées) en termes de revenus totaux sans les identifier. À la lecture de ces statistiques, datant de 2012, on y apprend que près de la moitié (247) sont domiciliées en Ontario et que l'Alberta avec ses 77 (15,4 %) est beaucoup moins surreprésentée que chez les sociétés publiques. Le Nouveau-Brunswick avec ses 11 sièges sociaux a quant à lui un nombre représentatif de sa population.

Références

- Bloom, M., Grant, M. (2011). La valeur des sièges sociaux - Analyse du rôle, de la valeur et de l'avantage des sièges sociaux dans les chaînes de la valeur mondiales. [Changing the nature of governance to create value]. Gouvernement du Canada. C. D. Howe Institute No. 189. http://publications.gc.ca/collections/collection_2014/maecd-dfatd/FR2-5-2011-10-fra.pdf
- Finkelstein, S., & Mooney, A.C. (2003). Not the usual suspects: How to use board process to make boards better. *Academy of Management Executive*, 17(2), 101-113.
- Glasmeier, A. (1988). Factors governing the development of high tech industry agglomerations: a tale of three cities. *Regional Studies*, 22(2), 287-301.

- Harris, D. A., Helfat, C. E. (2007). The Board of Directors as a Social Network: A New Perspective. *Journal of Management Inquiry*, 16(3), 228-237.
- Institute for Competitiveness & Prosperity. (2008, September). Flourishing in the global competitiveness game. *Working paper*, 11, 1-74. http://www.competeprosper.ca/uploads/WP11_FINAL.pdf
- Mackenzie, H. (2014). All in a Day's Work? CEO Pay in Canada. *Canadian Centre for Policy Alternatives*, 1-14. http://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2014/01/All_in_a_Days_Work_CEO_%20Pay.pdf
- Porter, M. (2000). Location, competition, and economic development: Local clusters in the global economy. *Economic Development Quarterly*, 14(1), 15-34.
- Zajac, E. J. (2001). When will boards influence strategy? Inclination times power equals strategic change. *Strategic Management Journal*, 22, 1087-1111.

Tammy Oulton, BSc (Hons), MA (Communication)
Department of Communication Studies
Mount Saint Vincent University

Corporate Social Responsibility beyond Donor Fatigue: Identifying Corporate Social Exhaustion among Small Enterprise in Nova Scotia

Studies have examined corporate social responsibility (CSR). However, limited research has discussed the role of CSR within the small enterprise (SE) environment. This qualitative study examines the role of CSR within a SE environment in rural NS. Using grounded theory and situational analysis the phenomenon corporate social exhaustion has been identified.

Corporate Social Responsibility, beyond Donor Fatigue

Within existing literature various definitions of Corporate Social Responsibility (CSR) can be found. The World Business Council for Sustainable Development has defined CSR as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.” McWilliams and Siegel (2001, p. 117) define CSR as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law”. As well, CSR is considered to take into account the following five dimensions as identified by Dahlsrud (2006, p. 6) stakeholder, social, economic, volunteerism, and environmental dimensions.

Primarily CSR research has focused on the positive relationship between corporate citizenship and financial returns for businesses. Karmens (1985) examined the self-interest theory of business social responsibility and concluded that businesses that contribute to the greater societal welfare, in excess of their economic responsibilities would prosper. Similarly, Orlitzky, Schmidt and Rynes (2003) reported good corporate citizenship is related with positive financial outcomes for all businesses. It is undeniable that CSR has become an effective marketing tool, and a vehicle to positively shape a company’s reputation. Companies branded through images of caring and compassion have often been rewarded with economic success (Bronn & Vrioni, 2001).

Limited research exists that has examined CSR from a SE perspective. SE has been identified with medium enterprise as often contributing more to individual communities than large corporations (Hammann, Habisch & Pechlaner, 2009). Socially responsible corporate behaviour has also been identified as crucial to the long-term success of the SE (Chrisman & Archer, 1984; Njite, Hancer, & Slevitxh, 2011). Social capital as described by Pierre Bourdieu has been used as an underpinning to examine the SE experience in relationship to CSR (Njite, Hancer, & Slevitch, 2011). Various researchers have examined the SE’s motives for engagement in CSR and have found their motives differ from larger enterprises. SE managers and owners report a commitment to the community and a desire to give back as primary reasons for participating in CSR (Besser & Miller, 2004; Worthington, Ram, & Jones, 2006).

Besser (2012) examined the motives and consequences of SE’s involvement in socially responsible practises. Besser interviewed twenty SE business owners and managers from the Midwest USA. The majority of participants were sole proprietorships and their business’s revenues were generated from their local communities. Sixty percent of participants reported being actively involved in leadership

roles within community organizations; eighty percent reported having been involved in a community betterment program during the previous year. All participants reported they feel an obligation to support their community. Besser (2012) identified enlightened self-interest and moral obligation as the driving motivators for these owners and managers' decision to engage in CSR. The consequences of CSR on these SE were also examined. Participants reported that contributing to their business's success was a motivating factor to engaging in socially responsible initiatives. However, only six participants reported CSR resulting in enhanced business success. Participants recounted the occurrence of negative financial outcomes associated with SE CSR. Five business owners reported losing business as a result of specific activities of support provided within their community. If individuals within the community disagreed with the support the SE had provided to a community need they withdrew support from the SE. One participant revealed a frustration with the community's lack of reciprocal support. Besser (2012) concluded that although SE expects to receive financial benefits from supporting their community there is no specific evidence to support that presumption.

In recent years CSR has been embraced by businesses of all sizes. From 1990 to 2009 Canadian corporate donations increased 581% (Imagine Canada, 2011). Corporations have recognized that many stakeholders are influenced by a company's level of CSR and a company's policies surrounding CSR (Bhattacharya, Sankar, & Korschum, 2011). The Federal Government cuts in funding to charitable organizations as well as their decrease in provincial transfer payments is creating increases in the already strained resources of many communities (CBC.ca, 2012; Ramos & Ron, 2012). In spite of increased financial demands incurred as a result of the economic decline corporate donations have generally been increasing since 1961 (Imagine Canada, 2011). There are many reasons which can be attributed to these increases in charitable donations. One reason identified is larger corporations have recognized the return on investment from investing socially, and have developed successful marketing strategies concerning CSR (Frankental, 2001; Laroche, Bergeron & Barboro-Forleo, 2001; Mohr & Webb, 2005).

Statistics Canada reported in 2008 that small and medium size enterprise (SME) employed 64% of private sector employees in Canada. It is undeniable that SME is a significant contributor to the Canadian economy. Of the total SME in Canada 98% are small enterprise having fewer than 100 employees, 75% of those small enterprise (SE) have fewer than 10 employees and 55% have only 1 to 4 employees. SE, on its own, has a significant influence on the Canadian economy. Considering that Imagine Canada reports 76% of Canadian businesses donate money, it can be inferred that a considerable proportion of charitable donations made in Canada are given by small enterprise. The US Small Business Administration reported in 2011 an equally staggering influence of SE on the US economy. SE represents 99.9% of the 29.6 million businesses in the US and paid 44% of the total private payroll of the US. SE plays a significant role in the economy. Engaged SE is responsible for contributing positively to the betterment of the communities they work in (Tolbert, 2005).

The present study examines social capital as a construct and theoretical component of the dynamics which are being experienced by SE participants. Researchers have previously made links between social capital, SE, and CSR (Besser, 2004; Casson & Giusta, 2007; Van Aaken, Splitter, & Seidl, 2013). Social capital represents the intrinsic value and often actuated power of social connections. Social capital is a very relevant aspect of our social dynamic. In 1986, Pierre Bourdieu identified the volume of social capital possessed by an individual to be dependent on the size of the individual's network connections and on the volume of economic and cultural capital possessed by those to whom the individual is connected (Bourdieu, 1986, p. 249). Individuals that know the 'right' people are perceived as having valuable social leverage. As well, increased relationship links create social capital which can be cashed in within a charitable request situation. Therefore, social capital has a two-fold implication in SE. Social capital is the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.

The volume of the social capital possessed by a given agent thus depends on the size of the network of connections he can effectively mobilize and on the volume of the capital (economic, cultural or symbolic) possessed in his own right by each of those to whom he is connected (Bourdieu, 1986).

Significant academic examination has been given to philanthropy of individuals. Overburdened donors who cease donating or reduce their average contribution is a phenomenon identified as ‘donor fatigue’ (Aldhous & Ewing, 1990; Bekkers & Wiepking, 2010; Carney, 1997; Hall & Kerkman, 2005; Sadanand, 2001, Van Diepen, Donker & Frances, 2009). According to Putman (2000) those that give are asked to give more often. As a rule, individuals who donate to charities are not motivated by material gain “donors will always be better off not making a donation” (Sargent & Jay, 2004, p.100). Individuals who give to charity are held in high regard, receiving recognition and approval from their peers. In addition, those individuals are willing to incur costs to achieve this approval from their peers (Clark, 2002; Wiepking 2007).

There has been much reported about donor fatigue as a result of the series of natural disasters of the past few years (Arneson, 2012). On the other hand, little has been discussed regarding the demand that has been placed on SE as a result of the recession, the Government’s withdrawal of funding for charities large and small as well as the Federal Government’s decreases in Provincial Government funding. The Federal Government’s ‘partnership’ with the provinces has resulted in an added stress on provincial and municipal governments to maintain healthcare and education status quos (Speech from the Crown, 2011). The Canadian social safety-net is becoming increasingly strained.

A discussion is necessary to bring to light the variety of implications that the recession has created among SE and the public relations challenges it has left some SE facing. The detrimental strain on stakeholder relationships which has been created by the increase needs of the community is a relevant problem facing SE in the Maritimes.

Methods

A qualitative grounded theory approach, using a situational analysis perspective was selected as best suited to this study due to the lack of the knowledge regarding SE experiences with CSR (Clarke & Friese, 2007). It was the most appropriate research methodology to apply to this situation. The researcher used a grounded theory methodology (GTM) approach to explore CSR and its implications for SE during a time of economic decline. As well, applied situational analysis facilitated the research process, to explore various contexts and examination of organizational, community, and national situational variables (Clarke & Friese, 2007).

Participants

Participants of this study were SE owners from King and Hants Counties in Nova Scotia Canada. The criteria for this purposive sample (Patton, 1990) included SE owners of businesses that had a recognizable community presence in their given areas of business. Each business was easily recognizable within the community due to its marketing strategies and stakeholder engagement within the community. Each business resided in a commercial space and interacted with a consumer base which was primarily found within their residing community. Each SE had a repeat customer base; meaning their success is driven by repeat consumer business. None of the businesses were so specialized to narrow their exposure to the community. The sample size was determined by the saturation point (Glaser & Strauss, 1967; Strauss & Corbin, 1998). The point of saturation was reached during interview nine. However two more interviews were conducted to ensure saturation, as well the extra interviews acted as a form of validation of the emerging constructs and themes (Corbin & Strauss, 2008). A total of eleven interviews were conducted. The sample included six female and five male participants. Participants ranged in age from

thirty to seventy years of age. Seven of the participants were owners within a partnership, three were sole proprietors and one was a dealer owner within a national franchise.

Role of the researcher

Particularly in this qualitative study, the role of the researcher was the key instrument for collecting and interpreting the data. This requires the identification of personal values, beliefs and biases by the researcher at the onset of the study. As the owner of a small Nova Scotia company, I have a firsthand experience with CSR and its impact on SE. I believe this experience enhances my knowledge, appreciation and sensitivity to this topic; however it may bring certain biases to this study. Every effort has been made to diligently address objectivity throughout the research process. Multiple strategies were implemented to address objectivity. I maintained an open mind and was consciously objective to various perspectives and experiences of the participants. No leading questions were asked during the interview process. Participants were able to freely discuss what they felt they wanted to express. I did not express opinions and responded neutrally to all participant responses and comments. I often reflected back to participants to clarify the participant's feelings and opinions.

Materials

The open-ended interview initially include sixteen questions that encouraged respondent disclose. These questions were developed by the researcher for the purpose of exploring the business owner's experience.

Procedures

After receiving ethics approval participants were selected using purposive sample. Sixteen participants were contacted via an email message to request their participation in the study. Fifteen participants responded and expressed interest in participating in the study. Interested participants were contacted via telephone. Interviews were face to face, one on one, and conducted using an emergent open ended questionnaire. The researcher administered the fifteen open-ended interview questions. This emergent open ended approach helped to facilitate the disclosure of historical information and allowed the researcher control over the line of questioning. The interviews were electronically recorded using a small recording device with the permission of the participants and transcribed verbatim. As well, the interviewer regularly reflected back, paraphrased to the interviewee to assure the correct understand of thoughts, and concepts being communicated by the interviewee. Dragon transcription software was used to assist in the transcription process. Each transcribed interview was reviewed and compared to original audio recordings to assure accuracy.

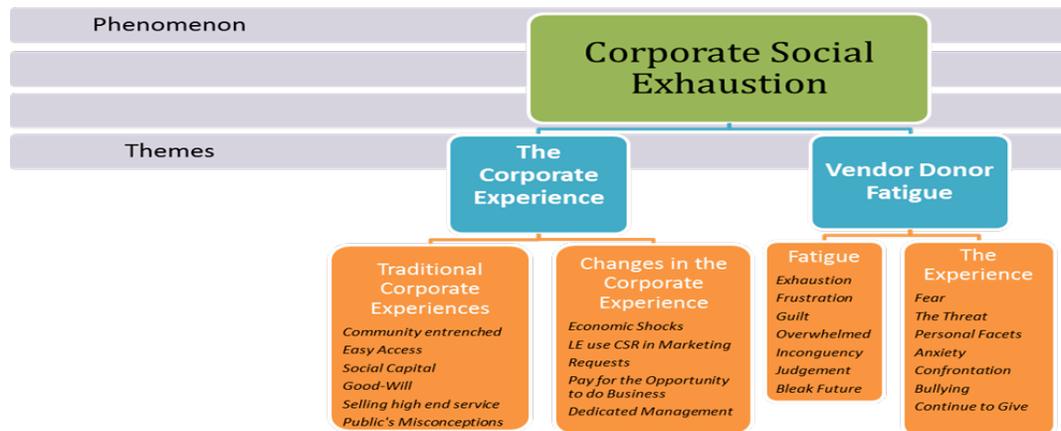
In practice of the GT approach the researcher employed a sequential recurrent and evolving approach to the interview process. During each interview the researcher made notes to accompany the audio recording. Within six hours of each interview the researcher reflected on the interview experience and created memo notes. These memos were a reflection and representation of the researcher's comprehensive experience during the interview. The memos included reflection regarding the significant points of interest made by the interviewee as well as things such as mood, physical expressions of anxiety, frustration, and sarcasm. The researcher used the process of memo writing to reflect on the interview in its most current interpretation. Initial memos were a valuable and effective construct building tool.

Open codes were created for each new idea, event, feeling, situation or concept that was communicated. Initially the interviews resulted in 151 individual codes. Each of these initial codes was drawn together using situational mapping and memo writing (Bryant & Charmaz, 2007). During the analytic process concepts were developed through continual comparison, with the most relevant concepts presented and combined. Axial codes (Strauss & Corbin, 1998) were established to evolve themes which

were found to be conceptually similar or connected in meaning. At this point many codes were collapsed to form a theoretical framework. This evolving process resulted in twenty-two overarching constructs.

Using the grounded theory and situational analysis frameworks the final product of the study explains the central theme of the data as well as accounts for variations in the data. Categories or themes are the “cornerstones” of developing grounded theory as they represent concepts in a broad or abstract manner. At the completion of axial coding, two major categories, grounded in the data had emerged: (1) *organizational experience* and (2) *vendor donor fatigue* (see figure 2). Organizational experience represents a thorough examination of the traditional organizational experiences as well as changes in the organizational experience which the participants identified. Traditional corporate experiences represent reported core categories of the organizational experience which were identified as long standing SE experiences. Changes to the corporate experience encompass core categories which were identified in the interviews as aspects of the SE’s experience which have changed in recent years. Vendor Donor Fatigue consists of the core categories of fatigue and the experience. Fatigue consists of the elements of fatigue of the experience described by the participants. The experience identifies core categories of the experiences described by the participants. These categories converge into the phenomenon of corporate social exhaustion.

Table 1. Corporate Social Exhaustion



Results

The Corporate Experience

The corporate experience examines two aspects of the SE's overall corporate experiences. The traditional corporate experience represents categories found to describe the long standing experiences of the SE as described by the participants. SE's community entrenchment, easy access to SE management, the use of social capital, good-will, selling from a high-end service strategy and the public's misconceptions regarding SE are all themes that were evident as long standing elements of the SE corporate experience. As well, changes in the corporate experience surveys the themes reported to have been experienced by participants over the past five years. These reports represent a shift in the SE experience in conjunction with the SE traditional corporate experiences. Changes in the corporate experience are represented by categories which examine economic shocks, large enterprises use of CSR as a marketing tool, changes in charitable request trends, owners reported feelings of paying customers for the opportunity to have them as customers, and the demands reportedly placed on management to address CSE.

Traditional Organizational Experiences

Community entrenched. Business owners expressed a commitment and personal involvement in their given communities. They refer to the communities they do business with using language that represents attachment and ownership.

P5: We all have the community we settled for and if you want your community to be better, I have always said this is a great place to live and we want to keep it that way.

Easily accessible. SE owners discuss the public's easy available access to them personally. These SE owners are easily identifiable within the community and people have access to them or will seek out access to them. SE owners are not buffered from direct consumer interaction by chains of management or bureaucracy. Community members know who is in charge and where to find that individual.

P4: The fact that I was visible and I had a storefront and you can walk right in, walk right in the door it is really easy to walk in and ask for money.

Social capital. Business owners describe situations where individuals within the community leverage themselves socially within organizations or social groups in the community. The individual is able to do this by using the relationships they have with the SE. The individual may make assurances that they have the social capacity to influence the SE. In turn they will be able to get monetary support from the business owner. The ability to do that represents an increase in social capital within the canvassing organization or social group.

P5: I have heard organization members "surely such and such and so and so will donate and they do business all over town" and "they are going to donate, and this one will donate, and these ones will donate, and I can talk to so-and-so because I know him, and he will donate."

Good-will. In contrast to the previous negative constructs owners express the positive influences of good-will as an effective marketing tool within the community.

P5: The other thing is we do not do a lot of advertising so this helps the name, the company name. I find donations do generate goodwill; I like to think they do.

The contrasting expressed view is a declined charitable request will have a counter effect.

P7: You try to avoid the negative advertising that's all you're doing. It's sort of one of those things if you get good service you'll tell five of your friends, if you get bad service you'll tell anybody that will listen. That is what you are trying to avoid with the charity.

Selling high end service. SE owners report marketing themselves as high end service providers. The ability to provide high quality service is a strategy implemented by many SE as a way to market in competition to large box stores. Some report a concern that this marketing strategy, of trying to give the customer everything they need and want is creating a dynamic where any request can be made and the public feels it should be satisfied.

P7: Not the same as the box stores. They are marketed the other way. They are on the other end of the spectrum. We market ourselves that way. Maybe you have to pay a little more, but you will get way better service here. That is what we have to cling onto, is the service end, where they haven't. Maybe we created our own monster, doing service, to the point of ridiculous.

The public's misconceptions. All of those interviewed expressed concern regarding the public's misconceptions regarding the realities of SE. The misconceptions varied but consistently those interviewed expressed distress that the general public's impression is that the financial gains and abilities of local business to provide financial support are far greater than their reality.

P1: I think that they think as I said if you have a business whether it's small or whatever you are wealthy, you have a load of money and you basically just work because you want to. I have had people actually say that to me that you know "why are you still working?"

Changes in the Organizational Experience

SE owners report many changes in their tradition roles and experiences. Owners reported experiencing numerous economic shocks.

Economic Shocks

Government cutbacks. Participants discussed the strain Government cutbacks have had on social programs within their community and how the owner's roles has changed within the community as a result.

P5: The government has pulled out of a lot of funding you see it in schools, schools are constantly looking for money for their programs. Schools have to make up the shortfall because they do not have it in their budget anymore. I also feel the government has really bagged us out.

Economic decline. SE owner's reveal communities and the individuals within those communities are feeling the pressures of the economic recession. General economic decline is felt across all aspects of the community.

P4: It seems the people have even less and less money and they want more donations. So I'm sure that would happen, I have talked to other small businesses. I've talked to a lot small businesses and I have said to them "are you getting as many people?", and it's the same story, "oh my God we had four more today"

Lost revenues. Those interviewed discussed the concerns of lost revenues. Businesses are often making less while trying to deal with increased costs, as well as increased social demands from the communities they operate within.

P3: So the asks have gotten bigger and bigger and our margins have gotten smaller and smaller.

Competition. In a climate of heavy competition for business, owners reveal situations where attempts are made to pit competing businesses against each other. Owners report this as concerning because they already feel the strain of competing for their own market share in a stressed economy.

P11: They are putting me right on the spot. "Well I'd sooner ask you then the [redacted] shop down the road", that's putting me on the spot. I think she thought I would automatically donate to her if she said that.

Support double standard. Some interviewed felt although they actively supported the community the community was not supporting local business the way they felt it should. The positive support provided by SE is not being valued or reciprocated by the community.

P3: They don't really even understand fully how that is affecting their own community. You go to New Minas and you deal with Wal-Mart and then you go to Joe's menswear in the mall because you know Joe and you want a donation. And Joe knows you, he probably lives down the street from you and he feels he has to give you a donation but the manager, Timmy, at Wal-Mart's job is not dependent on giving you a donation. His livelihood is not dependent on giving you a donation.

Large enterprise uses CSR as a marketing tool. Some of the participants reflected on larger corporations marketing trends of recent years. Concern was expressed regarding large corporations effective use of CSR and charitable fundraising as a marketing ploy. The public is developing an expectation that part of the consumer experience involves an obligation by businesses to fulfil the consumer's social conscience.

P2: I think increasingly the community is being educated about corporate social responsibility, the ad campaign of the past five years plus. We see large businesses large corporations supporting cancer research, food networks, help lines or whatever it is large industry is using it as a marketing ploy. I think in a way that has educated the population I think that the general public to a large degree is starting to feel that it is the role of business to support the community, not for profits, to support, and I don't know if that's always fair. I feel they put the same pressures on small businesses as they put on these huge industries. Because for us it's more personal it is more difficult, the revenue just isn't there to support across the board.

Requests. Owners interviewed reported numerous noteworthy changes in the charitable requests experience.

Volume of requests. Collectively those interviewed reported the volume of charitable requests had increased over the previous five years.

P5: The only thing I can say is that it has been growing in numbers more and more every year. More and more people pounding on your door.

Scope of the requests. Participants reported that the amount of charitable monetary requested have increased. As well, when discussing other forms of requests those interviewed felt the requests were often excessive and unreasonable

P7: So sometimes you just have to turn them down. They ask for too much.

Increases in critical need requests. Some of those interviewed felt the types of charitable requests being made increasingly speak to critical needs. They conveyed the seriousness of the requests and the need within the community should not be underestimated.

P11: No I think it's more that people need help now than it was back years ago. Years ago I think we actually had more requests from people doing sports.

Life experiences. Those interviewed spoke of unease with the trend of private sector businesses being perceived as responsible for providing individuals with desired life experiences. Owners expressed a sentiment that all requests were not of a traditionally charitable nature and are becoming increasingly about satisfying individual wants.

P8: People have this expectation, it boggles my mind, it boggles my mind. You do not go out in your neighborhood to canvass, to send you somewhere, it's not that it's fun, but it's still like a school trip, it's an experience you want, it's an experience you want. It's not that you're not helping anybody, but it's an experience you want. It's a good experience, but this organization puts it on the backs of the people that go, it gives them the green light the okay to raise money. Someone in this organization is making money.

But it is totally accepted that would be the case. But my point is there is just this widespread acceptance, you can do personal stuff, stuff that a generation ago you would never dream of raising money for. Now it just becomes automatic.

Give More, Decline More. Business owners reported an increase in the number of charitable requests they decline, as well as an increase in the number of requests they fulfill. One hundred percent of those interviewed reported an increase in the amount of money and time they have donated to charity over the previous five years.

P7: It's increased, it's increased. It's an increased expense. That's why we've gotten more creative and tried to find donations that are cheaper on our end to access.

Repeat request clientele. Several participants felt the pressures of a vicious cycle created by fulfilled requests. There is a pressure to fulfill the request but the relief of fulfilling a request is short lived. Often persons that have their requests fulfilled return yet again. The charitable appetite is insatiable. P2: They come back again and again. Once you say yes once you can expect another ask.

Paying for the Opportunity to do Business.

The participants reported that customers no longer seem satisfied with quality service and competitive pricing. Doing business is no longer about just the traditional elements of their given marketplace; there is a new dimension and pressure on already strained small businesses. Universally owners felt they are often put in a position where they must pay consumers for the opportunity to have them as a customer.

P6: There is the product, and the service, the price and now there is this added element.

Dedicated Management

SE report significant changes in their CSR experiences in recent years. These changes have created an environment within the organization where the challenges of organizational image, stakeholder relationships, and organizational resources are being diligently managed.

P9: I had to put policies in place. I tried, it's hard. It was the biggest surprise when I bought that business and I told the new owners when I sold it "be prepared".

Vendor Donor Fatigue

All owners interviewed described a personal experience associated with the challenges faced by the increasing demands of CSR in their small corporate environment. They described an overwhelming experience steeped with emotion. Fatigue is a theme which describes the emotions associated with vendor donor fatigue; exhaustion, frustration, guilt, feeling of being overwhelmed, incongruences, feeling judged, and a lack of hope for the future are all reported by participants. The experience reveals elements of the unique experiences associated with vendor donor fatigue; fear, threats, the personal connections experienced between SE owners, employees and their customers, confrontations, bullying and the SEs commitment to continue to donate to charitable needs in their communities.

Fatigue. Those interviewed reported many emotions that contributed to an overall fatigued and defeated sentiment. Participants expressed feelings of exhaustion, frustration, guilt, being overwhelmed, misunderstood and hopeless over the bleak future of CSR and SE.

Exhaustion. Participants reported exhaustion associated with the demands being placed on them.

P1: It means I am tired of giving, I'm tired, I'm tired of having to say "no" and look like the bad guy all the time. I feel guilty that I am saying "no", I shouldn't have to feel guilty. So to me it's like yeah just sick and tired of having to say "no". Yeah you just, yeah it is just overwhelming.

Frustration. Owners interviewed reported increasing frustration with the strains placed on their stakeholder relationships.

P1: Like every time somebody walked in how I feel in your mind you're thinking "oh another frigging donation" it is true you just say "oh my God". I just think when I see someone walk in I don't know, I don't think it's a new client, I think someone want a donation. How bad is that? I can honestly say that. That is how bad it is, yeah.

Guilt. Participants reported feelings of guilt even though they know the ability to fulfill all requests is impossible, they still experience guilt.

P6: And boys you feel guilty for it too but, but I have learned to actually say the word now. "I'm sorry I can't, no".

Overwhelmed. Those interviewed express a sense of being overwhelmed by the barrage of charitable demands made of them by the public.

P5: If you have the eighth person in that week well you get a little tired of giving it out. Especially if it hasn't been a great week financially.

Incongruent viewpoints. Owners sense that many of the individuals they must decline are not open to the SE's explanations for declining requests.

P9: It's not the saying "no", I own a business I have to say "no" to people all the time. It's saying "no" to someone who has no idea where I'm coming from, saying "no" to someone who thinks I'm lying even.

Judgement. Participants expressed concerns that the decisions they make, the organizations they chose to support or not support lead to judgement inferences being made about their SE and themselves.

P8: I'm judged when I say "no".

Bleak future. Participants had no positive comments about the future. Participants' views were no improvements to the situation are foreseeable.

P5: The only thing I can say is I don't think it's going to change. I think it's going to continue to increase. I don't know how the businesses are many continue to do it because I know that talking to other people; people are fed up with it. We just can't keep giving and giving and giving but I do think it's going to continue to increase until we get a handle on a few of these things.

The Experience

Fear. Participants spoke of their fears. Owners spoke of fears of losing business, their reputation, their livelihood. SE owners have a personal stake in keeping their customers satisfied.

P11: We were donating to them because we don't want to lose their business.

The threat. Participants repeatedly refer to the threats uttered by customers.

P1: She had come in and she wanted, they were raising money to send, raising money to send her child to cheerleading camp in the states somewhere for the summer, for a couple of weeks or something. And I said well, "no I don't give to cheerleading." And she said "Well all these years I have come to your business and spent my money here," she said "I can see why you can't just do this the once". And I said to her "if I do it for you I have to do it for everybody. It's not it's not like I don't want your child to go it's just that I can't afford to do it." I can't afford to send every person I know and she said "well then I can't afford to come back here" basically. That was it I haven't seen her since. It's gotten crazy.

Personal facets. Interactions between SE and those making requests often have an inter-personal aspect which can be significant to the mutual experience.

P1: It's that same bond yeah. As I've said I've done their hair and then they've gotten married and had kids and you have done their hair, and you have gotten to know the whole family. So when I say "no" to them and they're asking something of me it is very personal and they are hurt by it and yeah they let you know in no uncertain terms. It's true though I would have to say, my long-term customers I would break down 1st and give to them. I would feel pressured into doing that.

The anxiety. Anxiety associated with CSR requests is an emotional state reported by SE owners

P2: Well, it affects me walking down the street needing to interact with that person or delivering oil to them and having to interact knowing there is this thing that went on between us now.

The confrontation. Confrontations were reported to be a negative aspect of the SE management of CSR.

P11: Pretty much any time you say no you have a negative feeling from the people. You know that's not what they're expecting, they expect you donate. So you have that negativity as soon you see them and they can tell you are going to say no right away.,

Bullying. Two of those interviewed articulated their experiences as being bullied.

P8: I felt bullied; I felt that was an aggressive line that was out of line.

P3: The grand plan by the time they are done that night, after talking it all over is that they are going to raise thousands and thousands of dollars. And they do it by bullying and badgering the local businesses.

Continuing to Give Set SE Apart. One of the universal themes that separate SE as vendors from individualistic experiences of donor fatigue is SE continues to give. This represents a key distinction between the trends of individuals and SE organizations.

P8: From a budget point of view we are doing too much. For what would be considered responsible fiscal management.

Discussion

The corporate experience and vendor donor fatigue constitute the core categories of corporate social exhaustion (CSE). Corporate Social Exhaustion is identified as a serious phenomenon faced by some small businesses in Nova Scotia. CSE encompasses stakeholder strains experienced by SE resulting from a large volume of charitable requests and necessary declined requests by SE. CSE is defined as a widespread demand for community support and a flexing of consumer power that leaves the vendor struggling to balance good will and unrealistic stakeholder expectations. CSE differs significantly from individual donor fatigue. CSE's unique characteristics include a diligence to continue to fulfill charitable requests, potential harm to the SE's as a result of giving, and public misconceptions regarding the abilities and intentions of SE.

The interviews painted a clear picture of the SE's organizational experience. Many factors discussed by the SE owners in this study represented aspects of the organizational experience which have been long standing. These SE owners have always felt a loyalty and commitment to the communities they do business within. It is arguable that the relationship SE has within the traditional community is the origin of corporate social responsibility. The small enterprise by its nature is often steeped in a tradition of CSR. The attributes of SE make it very capable and perhaps even unable to sustain itself without some degree of corporate social engagement (Miller & Besser, 2003).

SE organizations often feel a 'connectedness' to their marketplace (Besser & Miller, 2004; Kilkenny, Nalbarte, & Besser, 1999). This 'connectedness' translates into an obligation. A very personal feeling that the business's role is not only to provide product or service, not only to function as a vehicle for shareholder profits, but to contribute positively to their community (Besser, 2012; Spencer, 2004).

The dynamics of social capital and by what means social capital influences the environment of SE and CSE cannot be underestimated (Coleman, 1988; Flora, Sharpe, Flora & Newton, 1997). It is power at play from two perspectives, as reported by the participants in this study. One, often the individual making the request, has flexed some personal social capital within a larger organization. They have played the "who they know" card. It is a legitimate card in the realm of SE. Once they have made that claim the individual becomes self-invested in proving or fulfilling their claim to this access of social capital. They have made the claim to this social capital, the power to have influence over an individual that can have benefit to the organization. It is then in their self-interest to have the claim validated and seen through to fruition. Their ability to see the request to fruition again increases their social capital standing within the group. This increases their own social capital within the social group they have flexed this claim with. Therefore they will then use the social capital, connection they have with the business owner to have the organization's need fulfilled. They happily approach the owner in the hope of cashing in some of their social capital. They do in fact have the realities of social capital in the context of their relationship with the owner. So they leverage that capital in a plea to the owner to support the cause, representing the second element of influence of social capital. This situation is twofold; the individuals making the request are self-invested to increase their social capital within the organization they are working with. Secondly, they are leveraging the social capital of their relationship with the owner in an attempt to have the need fulfilled.

Good-will representing a value assigned by the public to the organizational image (Kilkenny, Nalbarte, & Besser, 1999). This value may be translated into a desire by the consumer to do business with an organization for reasons other than products, services and pricing (Laroche, Bergeron, & Barbaro-Forleo, 2001). SE has long seen good will as a powerful marketing tool within the community. Good-will has been a traditionally strong influence in the success of SE (Besser, 2012; Coleman, 1988; Granovetter, 1985). However, in more recent years participants reported a growing concern regarding the perception that the organization lacks good-will within their consumer markets. With ever increasing CSR demands placed on the resources of SE the once positive good-will produced by a variety of contributions to the community may actually be out weighted by the negative talk of declined charitable requests. This is reportedly becoming an increasingly frustrating dilemma for SE. This can have serious repercussions for SE. When individuals can place a face on the source of their feelings of anger, deceit, and rejection their emotions can be very strong and have an impact on their choices and attitudes. SE's good-will has often represented a dynamic of reciprocity, concurrently a business supported the community and the community supported the business. Declined requests and the perception by consumer of a lack of SE participation, or the consumer's disagreement with charitable choices of the SE may negatively affect reciprocity and create challenges for SE (Besser 1997; Kilkenny et. al. 1999).

Large enterprise has effectively transformed CSR into a marketing ploy (Googin, Mirvis, & Rochlin, 2007; Husted & De Jesus, 2006; Porter & Kramer, 2002). This has been intensified and executed primarily in the last ten years. It is increasingly difficult as a consumer to make basic purchases without being bombarded with marketing campaigns hailing the good-will, and social causes championed by consumer products. In a marketing ploy that has attempted to put a personal quality on large corporate entities. In a strategic attempt to fulfill an aspect of the consumer experience which large enterprise was lacking; the intimacy of the SE consumer experience. This strategy has on the surface educated the general public, although not to the complexities or the realities of the situation, but to a mood, a new standard. To do business, to be a consumer is now about more than quality products, quality service, and competitive pricing. It is now also about an obvious social conscious. Arguably with large box stores and

corporate conglomerates taking the attention off of quality and service and replacing them with a social conscience. Large enterprises effective use of CSR as a marketing tool has left consumers with a sense of entitlement to CSR from a company; consumers increasingly demand accountability of CSR (Oberseder, Schlegelmilch & Gruber, 2011; Pomeroy & Dolnicar, 2009). That is not a negative, however under certain circumstances that can become an overwhelming unrealistic burden to SE. Consumers are being conditioned to shifts in the capitalist market that do not support the local consumer's relationship with small local businesses. What was once a staple and unique quality of the local business's intimate relationship with their community has perhaps been morphed into a marketing ploy by large corporations and may inevitably developed into an insurmountable demand on SE.

Reported changes encompassing all aspects of charitable requests were evident. All of those interviewed discussed the dramatic increase in the number of requests being made for social support. Drastic increases in the volume of requests have been experienced universally across all participants. Many discussed the monetary requests being made of their SE. However requests for support were not limited to monetary requests. Requests of time, services, products as well as their own ability to promote a cause were mentioned.

Individuals may feel a level of personal rejection when the SE declines a request that they have made of the SE. Individuals that choose to support a cause are putting themselves forward publically, feeling the cause is valid, worthy and important. When an individual publically supports a cause those feelings are intensified (Freedman & Fraser, 1966). To be told by the SE that we have chosen not to support the cause, for any given reason, is on some level a personal rejection. The degree to which the individual takes that rejection personally varies substantially dependant on numerous factors. However, SE management is experiencing negative repercussions from these necessary rejections or declined charitable requests. Consumers evaluate CSR actions as they relate to their personal morals, values and priorities (Rowley & Moldoveanu, 2003).

Owners spoke of fears of losing business, their reputation, and their livelihood. SE owners have a personal stake in keeping their customers satisfied. SE owners fears are not just plausible they are rooted in threats they have experienced. Participants repeatedly refer to the threats uttered by customers and the public. These threats could result in direct and real damage to the SE reputation and profitability. Compliance gaining theory from the exchange-theory approach (Marwell & Schmitt, 1967) explains the strategies used by some of those making demands of the SE. Marwell and Schmitt explored the behaviour of compliance and found that a person will comply in exchange for something else supplied by the other person. This theory is based on power distribution. If one holds enough power over another, in terms of resources, or can provide or withhold something the other wants they flex significant power to influence decision making and actions. Power is access to influential resources, which is the result of interpersonal perception; people hold as much power as others perceive them as having. This explains owners' reports of fear of repercussions of declined requests. As well as owners' insistence in supporting those requests from direct customers above all other charitable requests.

The discernible difference between an individual's philanthropic donor fatigue and CSE is the SE continued support of charitable requests. Regardless of vendor donor fatigue and the negative organizational experience, the SE continues to provide support to the charitable needs of the community. They do not withhold support or withdraw their level of support. In contrast they continue to support charitable requests, and in all cases reported giving more in response to increases in social support demands from the community. They do this in some cases to the SE's detriment. The motivating factors for SE vary and are often not solely one of maximizing profit. SE owner's reasons for being in business are often complex and socially motivated (Spence & Rutherford, 2000).

Further research is required to examine all facets of CSE and its implication for SE.

References

- Aldhous, P., & Ewing, T. (1990). AIDS program faces donor fatigue. *Nature*, 346, 595-596.
- Alpizar, F., Carlsson, F., & Johansson-Stenman, O. (2007). Anonymity, reciprocity and conformity: Evidence from voluntary contributions to a natural park in Costa Rica. *Journal of Public Economics*, 92(5-6), 1047-1060.
- Arnesen, I. (2012). Two years after quake, Haiti remains in ruins. *The Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB10001424052970203436904577155242453069590.html>.
- Ayer, S. (2012). *Corporate Citizenship*. Retrieved from <http://www.imaginecanada.ca/node/33>.
- Bakam, J., (2004). *The corporation: The pathological pursuit of profit and power*. New York, NY: Free Press.
- Barclay, P. (2004). Trustworthiness and competitive altruism can also solve the tragedy of the commons. *Evolution and Human Behavior* 25, 209-220.
- Bateson, M., Nettle, D., & Robertson, G. (2006). Cues of being watched enhances cooperation in a real world setting. *Biology Letters*, 2, 412-414.
- Bekkers, R. (2004). *Giving and volunteering in the Netherlands: Sociological and psychological perspectives*. Utrecht, Netherlands: Utrecht University.
- Bekkers, R., & Schuyt, T. (2008). And who is your neighbor? Explaining denominational differences in charitable giving and volunteering in the Netherlands. *Review of religious Research*, 50 (1), 74-96.
- Bekkers, R., & Wiepking, P. (2010). A literature review of empirical studies of philanthropy: Eight mechanisms that drive charitable giving. *Nonprofit and Voluntary Sector Quarterly*, 40, 924-972.
- Besser, T. (1997). Community involvement and the success of small town business, the situation in small towns. *Journal of Small Business Management*, 2, 135-141.
- Besser, T. & Miller, N. (2004). The Risks of Enlightened Self-Interest: Small Businesses and Support for Community Business Society. *Journal of Small Business Management*, 43, 398-425
- Besser, T. (2009). Changes in small town social capital and civic engagement. *Journal of rural studies*. 25, 185-193.
- Besser, T. (2012). The consequences of social responsibility for small business owners in small towns, *Business Ethics*. 21,129-139.
- Bhattacharya, C., Sankar, S., & Korschun, D. (2011). *Leveraging corporate responsibility; The stakeholder route to maximizing business and social value*, New York NY: Cambridge University Press.
- Bordens, K., & Abbott, B. (2005). *Research design and methods: A process approach* (6th ed.). San Francisco, CA: McGraw Hill.
- Boulstridge, E. & Carrigan, M. (2000). Do consumers really care about corporate responsibility? Highlighting the attitude-behaviour gap. *Journal of Communication Management*, 4, 355-368.
- Bourdeau, P. (1986). *The forms of capital*. Retrieved from [http://www.marxists.org/reference/subject/philosophy/works/fr/bourdieu-forms capital.htm](http://www.marxists.org/reference/subject/philosophy/works/fr/bourdieu-forms%20capital.htm).
- Bronn, P. & Vrioni, A. (2001). Corporate social responsibility and cause-related marketing: an overview. *International Journal of Advertising*, 20, 07-222.
- Bryant, A., & Charmaz, K. (2007). *The sage handbook of grounded theory*. Thousand Oaks, CA: SAGE.
- Burton, B., Goldsby, M. (2009). Corporate social responsibility orientation, goals and behaviour; a study of small business owners. *Business & society*, 48, 88-104.
- Canadian Revenue Agency (2013). Retrieved from <http://www.cra-arc.gc.ca/bsnsss/menu-eng.html>
- Callero, P. (1991). From role play to role using: Understanding role as resource. *Social Psychology Quarterly*, 57, 228-243.
- Carlsmith, J. M., & Gross, A. E. (1969). Some effects of guilt on compliance. *Journal of Personality and Social Psychology*, 11, 232-239.
- Carney, E. (1997). Donor fatigue. *National Journal*, 29, 363-367.

- Casson, M., & Giusta, M. (2007). Entrepreneurship and social capital: Analysing the impact of social networks on entrepreneurial activity from a rational action perspective. *International Small Business Journal*, 25, 220-244.
- CBC. (2012, June 28). *Federal job cuts seen as gutting rural towns*. Retrieved from http://www.huffingtonpost.ca/2012/06/28/federal-job-cuts-small-towns_n_1633770.html?utm_hp_ref=canada-budget-cuts.
- Charmaz, K. (2006). *Constructing grounded theory: A practical guide through qualitative analysis*. London, UK: Sage.
- Chesebro, J., & Borisoff, D. (2007). What makes qualitative research qualitative? *Communication*, 8(1), 3-14.
- Chrisman, J.J. & Archer, R.W. (1984). Small business responsibility: some perceptions and insights. *American Journal of Small Business*, 9, (2), 46-58.
- Clark, J. (2002). Recognizing large donations to public goods: An experimental test. *Managerial and Decision Economics*, 23, 33-44.
- Clark, A., & Friese, C. (2007). Grounded theorizing using situational analysis. In T. Bryant & K. Charmaz, *The sage handbook of grounded theory* (pp. 309-330). London, UK: Sage.
- Coleman, J. (1988). Social capital in the creation of human capital, *American Journal of Sociology*, 94, 96-120.
- Cooley, C. H. (1902). *Human nature and the social order*. New York, NY: Scribner's, 1902 Conference, 183-184.
- Corbin, J. & Strauss, A. (2008). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*, 3rd edn. Thousand Oaks, CA: SAGE.
- Creswell, J. (2009). *Research design, Qualitative, Quantitative, and mixed methods approaches*, (3rd Ed). Thousand Oaks, CA: Sage.
- Dahlsrud, A. (2006). How corporate social responsibility is defined: an analysis of 37 definitions. *Corporate social responsibility and management*, 15, 1-13.
- Diamond, A. M. (1999). Does federal funding "crowd in" private funding of science? *Contemporary Economic Policy*, 17, 423-431.
- Flora, J., Sharpe, J., Flora, C.B., & Newton, B. (1997). Entrepreneurial social infrastructure and locally initiated local development in the non-metropolitan united states. *The sociological quarterly*, 38, 623-645.
- Frankental, P. (2001). Corporate social responsibility a PR invention? *Corporate Communications: An International Journal*, 6, 18-23.
- Freedman, J. L., & Fraser, S. C. (1996). Compliance without pressure: The foot-in-the-door technique. *Journal of Personality and Social Psychology*, 4, 195-202.
- Gibb, J. (1961). Defensive communication. *Journal of Communication*, 11, 141-148.
- Glaser, B. G. (1992). *Basics of grounded theory analysis*. Mill Valley, CA: Sociology Press.
- Glaser, B. G., (1998). *Doing grounded theory*. Mill Valley, CA: Sociological Press.
- Glaser, B.G., & Strauss, A. (1967). *The discovery of grounded theory: Strategies for qualitative research*. Piscataway, NJ: Aldine Publishing.
- Googins, B., Mirvis, P., Rochlin, P. (2007). *Beyond "good company": Next generation corporate citizenship*. New York, NY: Palgrave Macmillan.
- Government of Canada, (2012). *Speech from the Crown; April 10, 2012*. Retrieved from <http://www.speech.gc.ca/eng/feature.asp?pageId=75>
- Government of Canada, (2013). *CRA; Non-profit organizations*. Retrieved from <http://www.cra-arc.gc.ca/tx/nnprft/>
- Granovetter, M (1985). Economic action and social structure; the problem of embeddedness. *American Journal of Sociology*, 91, 481-510.

- Haider, K. (August 17, 2010). *U.N. battles donor fatigue*. Retrieved from <http://www.reuters.com/article/2010/08/17/us-pakistan-floods-idUSTRE66T3RS20100817>.
- Hall, H., & Kerkman, L. (2005). Few signs of donor fatigue as year-end appeals wrap up. *Chronicle of Philanthropy*, 18, 23-32.
- Hammann, E., Habisch, A., & Pechlaner, H. (2009). Values that crate value: socially responsible business practises in SME – empirical evidence from German companies. *Business Ethics*, 18, 37-51.
- Harris, M. B., Benson, S. M., & Hall, C. L. (1975). The effects of confession on altruism. *Journal of Social Psychology*, 96, 187-192.
- Hoffman, E., McCabe, K., & Smith, V. L. (1996). Social distance and other-regarding behavior in dictator games. *American Economic Review*, 86, 653-660.
- Hollender, J & Breen, B. (2010). The responsibility revolution: how the next generation of business will win the impact perception of sponsor brand? *Journal of Consumer Psychology*, 13, 316-27.
- Husted, B. & De Jesus, S. (2006). Taking Friedman seriously: Maximizing profits and social performance. *Journal of Management Studies*, 43, 75-91.
- Ickes, W. J., Kidd, R. F., & Berkowitz, L. (1976). Attributional determinants of monetary helpgiving. *Journal of Personality*, 44, 163-178.
- Jenkins, H. (2004). A critique of conventional CSR theory: an SME perspective. *Journal of General Management*, 29, 37–57.
- Kamens, D. (1985). A theory of corporate civic giving. *Sociological Perspectives*, 28, 29–50.
- Kilkenny, M., Nalbarte, L., & Besser, T. (1999). Reciprocated community support and small town business success. *Entrepreneurship and Regional Development*, 11, 231-246.
- Lampsley, I. (2004). Challenges to non-profit organisations in a changing world. *NPO-Management*, 10, 17-25.
- Laroche, M., Bergeron, J. and Barbaro-Forleo, G. (2001). Targeting consumers who are willing to pay more for environmentally friendly products. *Journal of Consumer Marketing*, 18, 503-20.
- Lee, L., Piliavin, J. A., & Call, V. R. A. (1999). Giving time, money, and blood: Similarities and differences. *Social Psychology Quarterly*, 62, 276-290.
- Marwell, G., & Schmitt, D. (1967). Dimensions of compliance- gaining strategies: A dimensional analysis, *Sociometry* 30, 350-364.
- Mathur, A. (1996). Older adults' motivations for gift giving to charitable organizations: An exchange theory perspective. *Psychology and Marketing*, 13, 107-123.
- McWilliams, A. & Siegel, D. (2001). Corporate social responsibility: A theory of the firm Perspective, *Academy of Management Review*, 26, 117-27.
- Mead, G., (1934). *Mind, self, and society*. Chicago: University of Chicago.
- Menon, S. and Kahn, B.E. (2003). Corporate sponsorships of philanthropic activities: When do they impact perceptions of sponsor brands? *Journal of Consumer Psychology*, 13, 316-327.
- Miller, N.J. and Besser, T.L. (2003). Investigating small community influences on U.S. entrepreneurs' goals business strategies, and success. *International Journal of Entrepreneurship and Innovation*, 4, 149–161.
- Mohr, L.A., Eroglu, D. & Ellen, S.P. (1998). The development and testing of a measure of skepticism toward environment claims in the marketers' communications. *The Journal of Consumers Affairs*, 32, 30–55.
- Mohr, L. A. & Webb, D.J. (2005). The effects of corporate social responsibility and price on consumer responses. *Journal of Consumer Affairs*, 39, 121-47.
- Njite, D., Hancer, M. & Slevitxh, L. (2011). Exploring corporate social responsibility: A managers' perspective on how and why small independent hotels engage with their communities. *Journal of Quality Assurance in Hospitality and Tourism*, 12, 177-207.
- Oberseder, M., Schlegelmilch, B., & Gruber, V. (2011). Why don't consumers care about CSR?": A qualitative study exploring the role of CSR in consumption decisions. *Journal Business Ethics*, 104, 449-460.

- Okunade, A. & Berl, R. (1997). Determinants of charitable giving of business school alumni. *Research in Higher Education*, 38, 201-214.
- Orlitzky, M., Schmidt, F.L. & Rynes, S.L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24, 403–441.
- Patton, M. (1990). *Qualitative evaluation and research methods* (2nd Ed.). Newbury Park, CA: Sage.
- Per-Anders, E., Fredriksson, P., & Aslund, O. (2003). Ethics enclaves and the economic success of immigrants – evidence from a natural experiment. *The Quarterly Journal of Economics*, 1: 329-357.
- Pitts, R. E., & Skelly, G. U. (1984). Economic self-interest and other motivational factors underlying charitable giving. *Journal of Behavioral Economics*, 13(2), 93-109.
- Polonsky, M. J., Shelley, L., & Voola, R. (2002). An examination of helping behaviour: Some evidence from Australia. *Journal of Nonprofit & Public Sector Marketing*, 10(2), 67-82.
- Pomering, A., & Dolnicar, S. (2009). Assessing the prerequisite of successful CSR implementation: are consumers aware of CSR initiatives? *Journal of Business Ethics*, 85, 285-301.
- Porter, M., & Kramer, M. (2002). The competitive advantage of corporate philanthropy. *Harvard Business Review*, 80, 57-68.
- Putnam, R. (1993). *Making Democracy Work*, Princeton, NJ: Princeton University Press.
- Putnam, R. (2000). *Bowling alone. The collapse and revival of American Community*. New York: Simon & Schuster.
- Ramos, H. & Ron, J. (2012). *Funding cuts could unshackle Canadian civil society*. Retrieved from <http://www.thestar.com/opinion/editorialopinion/article/1161505--funding-cuts-could-unshackle-canadian-civil-society>.
- Regan, D. T., Williams, M., & Sparling, S. (1972). Voluntary expiation of guilt: A field experiment. *Journal of Personality and Social Psychology*, 24(1), 42-45.
- Romney-Alexander, D. (2002). Payroll giving in the UK: Donor incentives and influences on giving behaviour. *International Journal of Nonprofit and Voluntary Sector Marketing*, 7(1), 84-92.
- Ross, L. (1977). The intuitive psychologist and his shortcomings: Distortions in the attribution process. In Berkowitz, L. *Advances in experimental social psychology*. New York: Academic Press. 173–220.
- Rowley, T. & Moldoveanu, M. (2003). When will stakeholder groups act? An interest-and-identity-based model of stakeholder group mobilization, *Academy of Management Review*, 28, 204-19.
- Rundle-Thiele, S., Ball, K. & Gillespie, M. (2008). Raising the bar: from corporate social responsibility to corporate social performance, *Journal of Consumer Marketing*, 25, 245-53.
- Sadanand, D. (2001). Donor fatigue. *Far Eastern Economic Review*, 164, 28-29.
- Salin, D. (2003). Bullying and organisational politics in competitive and rapidly changing work environments. *International Journal of Management and Decision Making*, 4, 35-46.
- Sargeant, A., Ford, J., & West, D. C. (2000). Widening the appeal of charity. *International Journal of Nonprofit and Voluntary Sector Marketing*, 5, 318-332.
- Sargeant, A., & Jay, E. (2004). *Fundraising management analysis, planning and practice*. London, England: Routledge.
- Schmidpeter, R. and Spence, L.J. (2004). SMEs, social capital, and civic engagement in Bavaria and West London. In Spence, L.J., Habisch, A. and Schmidpeter, R. (Eds.), *Responsibility and Social Capital: The World of Small and Medium Sized Enterprises*: 59–76. Basingstoke, UK: Macmillan.
- Smith, J. R., & McSweeney, A. (2007). Charitable giving: The effectiveness of a revised theory of planned behaviour model in predicting donating intentions and behaviour. *Journal of Community & Applied Social Psychology*, 17, 363-386.
- Southwell, C. (2004). *Engaging SMEs in community and social issues*. In Spence, L.J., Habisch, A. and Schmidpeter, R. (Eds.), *Responsibility and Social Capital: The World of Small and Medium Sized Enterprises*, 96–111. Basingstoke, UK: Macmillan.

- Spence, L.J. (2004). *Small firm accountability and integrity*. In Brenkert, G.G. (Ed.), *Corporate integrity and accountability*, 115–128. Thousand Oaks, CA: Sage.
- Spencer, L. & Rutherford, R. (2000). Social responsibility, profit maximization, and the small firm owner manager, *Journal of Small Business and Enterprise Development*, 8; 126-139.
- Spradley, J. (1979). *The ethnographic interview*. New York, NY: Holt, Rinehart and Winston.
- Stern, P.N. (1995). *Grounded theory methodology: Its uses and processes*. In B.G. Glaser [Ed.], *Grounded Theory 1984-1994*, vol. 1 (pp.29-39). Mill Valley, CA: Sociology Press.
- Sterns, J. A., Schweikhardt, D.B., & Peterson. H.C. (1998). “Using case studies as an approach for conducting agribusiness research.” *International Food and Agribusiness Management Review* 1, 311-327.
- Strauss, A. & Corbin, J. (1998). *Basics of qualitative research: Techniques and procedures for developing grounded theory*. Thousand Oaks, CA: Sage.
- Szykman, R.L., Bloom, N.P. & Levy, S.A. (1997). A proposed model of the use of package claims and nutrition labels, *Journal of Public Policy & Marketing*, 16, 228–241.
- Thornton, B., Kirchner, G., & Jacobs, J. (1991). Influence of a photograph on a charitable appeal: A picture may be worth a thousand words when it has to speak for itself. *Journal of Applied Social Psychology*, 21, 433-445.
- Tolbert, C., (2005). Minding our own business: Local retail establishments and the future of southern civic community. *Social Forces*, 83, 1309–1328.
- US Small Business Administration. (2011). Advocacy small business statistics and research. Retrieved from <http://www.sba.gov/sites/default/files/sbfaq.pdf>
- Van Aaken, D., Splitter, V., & Seidl, D. (2013). Why do corporate actors engage in pro-social behaviour? A bourdieusian perspective on corporate social responsibility. *Organization*, 20; 349-371.
- Van Diepen, M., Donkers, B., & Franses, P. H. (2009). Does irritation induced by charitable direct mailings reduce donations? *International Journal of Research in Marketing*, 26, 180-188.
- Wiepking, P. (2007). The philanthropic poor: In search of explanations for the relative generosity of low income households. *Voluntas*, 18, 339-358.
- Wiepking, P., Madden, K., & McDonald, K. (2010). Leaving a legacy: Bequest giving in Australia. *Australasian Marketing Journal* 18, 15-22.
- Wothington, I., Ram, M., & Jones, T. (2006). Giving something back; a study of corporate social responsibilities in UK South Asian small enterprise. *Business Ethics*, 15, 95-107.

Mallika Das, PhD
Elsie Henderson, CA MBA PhD student
Dept. of Business and Tourism
Mount Saint Vincent University

Do Accounting Students Differ From Others in Self-Interest, Concern for Others and Ethical Perceptions - Findings from an Atlantic Canada Study

This paper presents the results of a study using participants from an Atlantic Canadian university (n=997) which indicates that accounting students differ significantly in their level of self-interest and perceptions of academic dishonesty – but not in their concern for others- from some of the other business majors and students in other programs.

Introduction

Integrity is the foundational basis of the accounting profession. Nevertheless the past involvement of accountants in fraudulent financial reporting has resulted in heightened attention of both business leaders and academics on building an even stronger ethical base among accountants, including those planning to enter the accounting profession. Since research indicates that students who cheat academically are more likely to commit an unethical act in the workplace, it is important to understand the ethical values of accounting students if one is to improve the integrity of the accounting profession (Jurdi, Hage & Chow, 2011; Payan, Reardon & McCorkle, 2010; Plinio, Young, & Lavery, 2010; Iyer & Eastman, 2006). Further, there are often corollaries between unethical behaviors in an academic context and those in the workplace context. For example, Malone (2006) indicated cheating on an exam may be analogous to falsifying an expense report. In addition, research also indicates that an individual's perceptions of what constitute unethical behavior and his/her attitudes towards the behavior strongly influence whether or not a person will actually engage in fraudulent behavior. For example, Buchan (2005) studied the ethical attitudes of accountants and found these attitudes were directly related to their intention to commit unethical acts. Given these findings, it is important to study accounting students' perceptions of what constitutes academic dishonesty and to understand the factors that impact and influence such perceptions.

While understanding the causes of unethical behavior is filled with complexities, many researchers feel that underlying personality factors play a critical role in determining whether or not a person will commit an unethical act (Brown, Sautter, Littway, Sautter & Bearnes, 2010). The two personality traits most often related to unethical behaviors are self-interest or selfism (often also called narcissism) and concern for others or empathy (e.g., Brown, et al., 2010; Shaub, Collins, Holzmann & Lowensohn, 2005). Research has examined these variables in the context of business students in general (Bloodgood, Turnley & Mudrack, 2010), and a few have even compared accounting majors to other business majors (Cohen, Pant & Sharp, 2001; Malone, 2006). However, most of these studies have been conducted in the US; there are very few Canadian studies in this area and very few (if any) studies in Atlantic Canada. This paper aims to fill this void in the literature by examining the differences between accounting majors and other students in terms of two personality variables - self-interest and concern for others - and their perceptions of academic dishonesty.

Literature Review

Personality variables: Self –interest (or Selfism) and Concern for others

The Merriam-Webster’s dictionary defines self-interest as “concern for one's own advantage and well-being” and selfism as “concentration on self-interest” (Merriam-Webster, 2014, self-interest). While narcissism is often associated with a love of one’s own body, the term is also used as a synonym for self-interest or self-concernedness (Merriam-Webster, 2014, self-interest). In this paper, we will use these terms interchangeably. Self-interest has also been related to Machiavellianism; as Bloodgood, Turnley, and Mudrack (2010) note, a ‘high-Mach’ individual is one who focuses on his/her self-interest with little or no regard to the social acceptability of their actions. Thus the personality trait of self-interest and Machiavellianism tend to be highly correlated.

How does a higher level of self-interest relate to ethics? Lack of concern for societal norms combined with a greater self-interest is likely to lead an individual to actions that would promote his/her own welfare even if such actions are not considered ethical by society. Research does indicate that people who score higher on selfism (or concepts highly related to it such as Machiavellianism and narcissism) tend to be less critical of unethical or ethically questionable behaviors; they also tend to behave less ethically (O’Fallon and Butterfield, 2005) and more opportunistically or at the expense of others (Wilson, Near, & Miller, 1996). In an academic context, students who score high on Machiavellianism have been shown to behave unethically in hypothetical ethical dilemmas (Brown, et al., 2010), and to be more accepting of academic cheating and ‘passive cheating’ in a non-academic context (Bloodgood, et al., 2010). For example, Bloodgood et al. (2010) found that students who scored higher on Machiavellianism were more likely than ‘low-Machs’ to be accepting of unethical behaviors in an academic context (e.g., copying another student’s homework/class assignment, using unauthorized cheat sheets, etc); ‘high-Machs’ were also found to accept passive cheating behaviors (e.g., not saying anything when they received a good or service that they had not paid for, not saying anything when given too much change back for a purchase, etc) than ‘low-machs’. Interestingly, these researchers found that academic dishonesty was also significantly related to passive cheating in other situations (Bloodgood, et al., 2010). Brown et al., (2010) in a study of business majors found that in two hypothetical situations (taking/returning \$100 bill and keeping/returning extra merchandise), students who scored higher on self-interest were more likely to behave unethically when presented with ethical dilemmas. It is even more interesting is that both the above studies found that the findings held even after demographic variables such as age, sex, and GPA of the students were controlled for (Bloodgood et al., 2010; Brown, et al., 2010). These findings indicate that underlying personality traits may be more important in understanding a student’s ethical values and future ethical behaviors than demographic variables.

The second personality variable included in this study – concern/empathy for others – has also been related to a person’s ethical attitudes and behaviors. Empathy is defined as “the feeling that you understand and share another person's experiences and emotions: the ability to share someone else's feelings” (Merriam-Webster, 2014). Higher levels of empathy has been related to efforts to prevent unjust acts (Davis, 1996; Smith-Lovin, 1995). In addition, Brown, et al., (2010) found that students who scored higher on empathy were less likely to act unethically in hypothetical ethical dilemmas. Again, the results held true even when demographic variables such as age, sex, and GPA were controlled for (Brown, et al., 2010).

Academic dishonesty

Academic dishonesty is a broad term that covers several forms of academic misconduct or unethical behaviors by students. While some researchers equate this to cheating, academic dishonesty covers a broad range of behaviors including cheating (as in using ‘cheat sheets’), plagiarism (submitting

another person's work as one's own – both those of other students' and copying from the internet), letting others copy one's work (or passive cheating), and other behaviors.

Academic dishonesty has been a concern in education for decades. In 1986 a group of researchers concluded that academic cheating was an epidemic (Haines, Diekhoff, Labeff & Clark, 1986). For example, Jones (2011) and Davis, Grover, Becker & Macgregor (1992) indicated that 80% and 83% of students reported that they had cheated. This is disconcerting for educational institutions since there is a risk that students might be cheating their way through a program rather than earning their rite of passage (Jurdi et al., 2011). As a result, ethics has received more emphasis in business schools (Bloodgood et al., 2010; Nguyen, Basuray, Smith, Kopka & McCulloch, 2007).

Students' acceptance of academic dishonesty (i.e., the more it is viewed as not ethically wrong) is a key variable in understanding the occurrence of actual dishonest behaviors within the educational system. The more positive the attitude towards a behavior is, the more likely it is that the individual will actually engage in that behavior. The Theory of Planned Behavior (TPB) provides a framework to analyze academic dishonesty. TPB states that a person's chances of behaving in a certain way is a function of many things: his/her attitudes towards the behavior, the person's subjective norms (i.e., whether or not the person feels that the behavior is acceptable in his/her general environment), and the level of personal control a person has over the action. These variables will affect both the individual's intention to indulge in the behavior and his/her actual behavior (Ajzen, 1991). While TPB has been used by marketers extensively to study various aspects of consumer behavior, a few researchers (e.g., Beck & Ajzen, 1991; Stone, Jawahar, & Kisamore, 2009; Whitley, 1998) have used it to explain academic misconduct. For example, Stone, et al., (2009) in a detailed empirical study tested TPB in the context of academic misconduct using a sample of 438 management, marketing, accounting and economics undergraduates in a large mid-western university in the US. Besides attitudes, subjective norms, and personal control, these researchers also added a new variable – the students' justifications for cheating – to the TPB model. This study found that attitudes towards academic misconduct (i.e., whether or not it is ethically right or wrong) was positively correlated to an individual's intention to engage in academic misconduct, his/her justifications for such behavior, and actual cheating behavior (Stone, et al., 2009).

Other researchers have also examined the relationship between academic dishonesty and other variables. For example, Bloodgood, et al., (2010) found that academic dishonesty was related to social desirability, Machiavellianism, and passive cheating in a business context. Smyth, Davis, and Kroncke (2009) looked at how students saw academic dishonesty and dishonesty in business situations. They paired 13 academically dishonest behaviors with 13 instances of business misconduct and found that 12 of the pairings were seen as different by the students; the results indicated that in some instances, students perceived academic misconduct to be more ethically wrong than business situations that were of a similar nature.

Program of study and academic dishonesty, self-interest, and concern for others

While past research indicates that both self-interest and concern for others are correlated with dishonesty/unethical behaviors (academic and non-academic), very few studies have tested these relationships in the context of students majoring in various business areas. Brown, et al (2010) tested the differences in narcissism and concern for others among business majors and found that those majoring in finance and accounting had lower levels of concern for others than marketing/management majors; the same study also found that finance majors scored higher on self-interest than management and marketing majors, but accounting majors did not. The researchers attribute the difference in empathy between the business majors to the nature of the subjects; in their opinion, management and marketing being more people-focused majors (compared to accounting and finance), probably help the students develop more

people-oriented and other-focused skills. Finance majors were the least empathetic group and the researchers state that this is “perhaps not surprising, considering the sort of pecuniary values that are emphasized in their discipline” (Brown, et al., 2010, p. 207). However, contradictory findings have been reported by others (e.g., Cohen, Pant, & Sharp, 1998; Malone, 2006). Cohen, et al. (2001), in one of the earliest studies on this topic, compared the ethical values of accounting majors to other business majors and students from other disciplines using eight business situation vignettes and found accounting students scored higher on ethical values and evaluation of the vignettes than other business majors and liberal arts students. Malone (2006) found no difference between accounting majors and other business majors in their ethical perceptions. Given that there is little research to draw definitive directional hypotheses related to these variables, we developed the following hypotheses:

H₁: Accounting majors will differ from other business majors in their level of self-interest.

H₂: Accounting majors will differ from other business majors in their level of concern for others.

H₃: Accounting majors will differ from other business majors in their perceptions of academic dishonesty.

Most of the research on this topic has focused on comparing business students to non-business students; in general, results indicate that business students are more likely to be dishonest than non-business students (e.g., Baird, 1980; Brown, 1995; McCabe and Trevino, 1995). For example, Brown (1995) compared business students to those in engineering and education and found that business students were more likely to participate in unethical academic behaviors. Similarly, McCabe and Trevino (1995) in a large-scale study of undergraduate students in the US found that business students were more likely than others to report having cheated. While there have been a few studies (e.g., Iyer, et al., 2006) that have found contradictory results, overall, there is more evidence to back the hypotheses that business students are more likely than others to engage in academic dishonesty. In addition, research has shown that individuals higher in self-interest are more likely to engage in unethical activity (Brown et al., 2010; Shaub et al., 2005). There is also some evidence that business students are likely to score higher on self-interest than non-business students. For example, Skinner (1981) indicated scores related to Machiavellianism (self-interest) and achievement were higher for business students than non business students. Further, research has shown that individuals that have high self-interest are more likely to place their needs ahead of others (Wilson et al., 1996). Thus, overall, existing research indicates that business and non-business students differ in their level of self-interest, concern for others, and academic dishonesty. If business students as a group differ from non-business students, then it seems reasonable to hypothesize that accounting majors will also differ from non-business students on these variables. Thus, we hypothesize that:

H₄: Accounting majors will differ from students in other programs in their level of self-interest.

H₅: Accounting majors will differ from students in other programs in their level of concern for others.

H₆: Accounting majors will differ from students in other programs in their perceptions of academic dishonesty.

METHODOLOGY

Students enrolled in business and non-business courses in an Atlantic Canadian university were asked to complete a survey on the ethical values of students. Instructors were approached for permission to administer the survey in their classes and participation by students in these classes was voluntary. The courses were chosen to get a wide distribution of business and non-business courses. Care was taken to include courses at all levels (i.e., first, second, third, and fourth year courses). The survey included (among other variables), an eight-item self-interest scale and an eight-item empathy or concern for others

scale, that were modified and tested by Brown et al. (2010). The researchers indicated these scales were versions of existing scales: Phares and Erskine Selfishism Test, 1984 and Goldberg's Empathy Test, 1999. Each item on the modified scales was scored on a 5-point scale (1=strongly agree to 5=strongly disagree). Lower scores indicated a higher self-interest and a higher concern for others. Students also self reported on their views towards academic dishonesty using a modified version of the scale used by Bloodgood, et al. (2010). The scale consisted of 11 items which were scored on a 5-point scale (1 = strongly believe that it is right; 5 = strongly believe it is wrong). Higher scores indicated the student believed the academic behavior was wrong. We also tested the internal consistency of the scales in this study; the Cronbach's alpha was 0.751 for self-interest, 0.865 for concern for others, and 0.845 for academic dishonesty, indicating that these scales are internally consistent and reliable. Details of the instruments used in this study are provided in Table 1. The survey also included questions on demographics such as program and major as well as other variables that are not part of this research paper. The questionnaire had received ethics approval from the University Ethics Review Board.

Data was collected over two terms: Fall, 2012 and winter, 2013. A total of 997 students participated in the study: 425 business students, 111 arts, 54 science students, 220 public relations students and 100 other. Among the 425 business students, there were 154 accounting, 129 marketing, 61 management, 18 finance, 35 tourism/hospitality and 38 general business.

RESULTS

Self-interest. A low score on this scale indicates that students have a high level of self-interest. The item with the lowest score is item 3 (*I regard myself as someone who looks after his/her own interest*) with a mean of 2.38 followed by item 1 (*thinking of yourself is no sin in this world*) with a mean of 2.39. All other items have a higher mean indicating on average participants did not place more emphasis on their own self-interest. The highest mean was for item 5 (*getting ahead in life depends mainly on thinking of yourself first*) with a mean of 3.27 followed by item 4 (*it's best to live for the present and not worry about tomorrow*) with a mean of 3.25. The overall mean of all items was 2.798.

Concern for Others. A low score on this scale indicates the student has a high concern for others. Item 3 (*I love to help others*) had the lowest mean of 1.70. The next lowest mean was item 1 (*I make people feel welcome*) with a mean of 1.76. The highest mean was item 5 (*I have a good word for everyone*) with a mean of 2.43. This was followed by item 2 (*I anticipate the needs of others*) with a mean of 1.98. Overall, based on their self-reports, participants seem to have a high level of concern for others as the mean score was 1.930.

Academic Dishonesty. The items on the scale measure whether or not students considered certain academic behaviors to be unethical; lower scores indicate that students perceived the action to be ethical. No items had a mean of less than 3.29 indicating that most students perceived the 11 actions as wrong or unethical. The item that scored lowest (believed to be right) was item 5 (*obtaining the answer on the internet*) with a mean of 3.29. This was followed by item 2 (*asking someone to help you with a take home test*) with a mean of 3.39. The highest mean was item 6 (*turning in another student's work as your own*) with a mean of 4.75. This was followed by item 8 (*purchasing a paper as your own*) with a mean of 4.74. The overall mean of all items was 4.16 (Table 1).

Accounting majors vs other business majors (H1-H3)

Due to their small sample size (n=18), Finance majors were dropped from this analysis; accounting majors were then compared to all other business majors (Management, Marketing, and General Business) using one way ANOVA. Given the high internal consistency of the measures of self-interest, concern for others, and academic dishonesty, the total mean scores on these were used for the

ANOVA. Overall, the results (Table 2) indicate that there were significant differences between the various business majors in their scores on self-interest ($F=5.724$; $p<.01$) and perceptions of academic dishonesty ($F=7.774$; $p<.001$), but not in their concern for others. Post-hoc tests indicate that accounting majors differ from those majoring in management in their level of self-interest (mean difference= 0.241 ; std. error= 1.09 ; $p<.05$) and marketing majors (mean difference= 0.274 ; std. error= 0.086 , $p<.01$), but not from those majoring in General Business. The mean score for accounting majors was higher (2.97) than that of marketing (2.70) and management (2.73) students indicating that accounting majors - as a group - have a lower level of self-interest than those majoring in marketing and management. Interestingly, one-way ANOVAs indicate that there were no significant differences between accounting majors and other business majors in terms of their level of concern for others. Thus the results partially support H1 but not H2.

Do accounting and non-accounting majors in the business program have differing perceptions of what constitutes academic dishonesty (H3)? Results of the one-way ANOVA indicate that the differences between the groups were significant ($F=7.74$; $p<.001$). Once again, post hoc tests indicated that accounting students differed from those majoring in marketing and management but not general business students. Accounting students also had a higher mean score (4.31) than marketing (4.1), and management majors (4.0) which indicates that they were more likely to perceive the dishonest academic behaviors listed as more unethical than the others. Thus, the results partially support H3.

Accounting majors vs. students in other programs (H4-H6):

Accounting students were compared to students in arts, science, tourism and hospitality and public relations. One way ANOVAs indicated that there was a significant difference between accounting students and students in other programs on self-interest ($F(4, 557) = 4.785$, $p <.001$). Post hoc tests revealed that the significant differences were between accounting students and those in the BSc and Public Relations programs, but not between accounting majors and those in the BA or BTHM (Tourism and Hospitality Management) programs. Accounting students had a higher mean (2.9703) indicating they had lower self-interest than public relations (2.7162) and science students (2.6392). Thus there is partial support for H₄ as accounting majors do differ from those in two of the four other programs examined in this study. There were no significant differences between accounting students and students in other programs in their concern for others. Therefore, there is no support for H₅. A significant difference was also found between accounting students and students in other programs in their perceptions of academic dishonesty ($F=7.488$, $p <.001$). Post hoc tests indicated that significant differences existed between accounting and science students and public relations students but not accounting students in the BA or BTHM programs. Accounting students had a higher mean (4.309) indicating they viewed the academic dishonesty items to be more wrong than the public relations students (4.138) and science students (3.904). Thus, again, there is partial support for H₆ (there is a difference in the perceptions of academic cheating between accounting and students in other degree programs).

Other findings

To examine how the variables (self-interest, concern for others, and perceptions of academic dishonesty) relate to each other, the correlations between these variables were analyzed using Pearson's correlation coefficient. There was positive correlation between self-interest and perceptions of academic dishonesty ($r = .237$, $p <.001$), and a negative correlation between concern for others and perceptions of academic dishonesty ($r = -.136$; $p <.001$). These results indicate that students with high levels of self-interest are more likely to see many negative (dishonest) academic behaviors (e.g., copying from the internet, submitting another person's work as one's own, etc.) as acceptable. On the other hand, those with higher levels of concerns for others seem to possess a stronger moral compass; these students are more likely than others to perceive the negative academic behaviors as unethical. The effect size was near

medium for self-interest and ethical perceptions but smaller for ethical perceptions and concern for others. Surprisingly, there was no significant correlation between self-interest and concern for others. In other words, higher levels of self-interest do not necessarily lead to lower concern for others.

DISCUSSION

The primary aim of this study was to examine the differences between accounting students and others (both other business majors and students in other programs) in self-interest, concern for others and in their perceptions of academic dishonesty. Results indicate that accounting students differ from marketing and management majors and from students in public relations and science programs in their level of self-interest and in their perceptions of academic dishonesty. Accounting students seem to have lower levels of self-interest and a higher level of academic honesty (i.e., they seem more ethical) than the others. This leads to many interesting questions: Is there something in the curriculum that makes them more ethical and/or less self-interested? From another perspective do these students already have these personality traits and as a result are drawn to the accounting profession? Of interest might be consideration as to whether there is a difference in the results for accounting, other business majors and non business students when other variables such as gender, age and year of study are considered. Further research is required to answer these questions.

This study does lend support to some of the findings from other studies but there are also some contradictory findings. As in other studies, self-interest was found to be related to attitudes towards academic honesty; students with higher self-interest were found to be less academically ethical (i.e., they did not perceive the examples of academic misconduct to be wrong) than those with lower self-interest. Similarly, this study reinforces the connection between concern for others and perceptions of academic dishonesty; the higher the concern for others, the more uncomfortable students were with the dishonest behaviors. Yet, there seems to be no connection between self-interest and concern for others; perhaps this indicates that students see a high level of self-interest as not precluding them from being concerned for others; that caring for others does not mean that one should not care for oneself too. This is consistent with research where the important factor was harm to others or one's self and not just self interest (Malone, 2006). Perhaps the real test will be when the participants are asked to choose between their own welfare and those of others!

It should be noted that this study examined only how students viewed academic misconduct – i.e., how they perceived behaviors that were dishonest in an academic context; it did not examine if the participants had engaged in behaviors that constitute academic dishonesty. The finding that accounting students rate academic misconduct as morally/ethically wrong need not translate into lower levels of actual academic dishonesty. In other words, there is a need for future studies that examine the link between perceptions of what constitutes academic dishonesty to actual dishonest behaviors. An overall limitation of the study is that all variables were measured based on self-reports of students using surveys as a tool. As is common with surveys, students may have responded with the response that they thought was expected rather than how they truly felt. Further, the use of students as participants in the study may limit generalizing the results, particularly for self interest and concern for others, to the general population.

This research is a small part of a much larger study. Further studies in this area include looking at all business students and non business students from many programs. To expand on students' perceptions and personality traits the study will include ethical scenarios as well as the use of defining issues tests (DIT). This will allow analysis across programs and disciplines as well as identifying areas of further research.

Table 1: Scales used in the study

Scale (mean, std. deviation)
Self-interest (Overall mean= 2.798; Cronbach's Alpha=0.751)
1. Thinking of yourself is no sin in this world. (2.39, 1.027) 2. It is important to live for yourself rather than for other people, parents or for posterity. (2.88, 1.171) 3. I regard myself as someone who looks after his/her personal interests. (2.38, 0.937) 4. It's best to live for the present and not worry about tomorrow. (3.25, 1.142) 5. Getting ahead in life depends mainly on thinking of yourself first. (3.27, 1.035) 6. Call it selfishness if you will, but in this world today we all have to look out for ourselves first. (2.91, 1.080) 7. In striving to reach one's potential, it is sometimes necessary to worry less about others people. (2.88, 1.07) 8. Not enough people live for the present.(2.53, 0.979)
Concern for Others (Overall mean=1.93; Cronbach's Alpha=0.865)
1. I make people feel welcome. (1.76, .682) 2. I anticipate the needs of others.(1.98, 0.727) 3. I love to help others.(1.70, 0.717) 4. I am concerned about others.(1.82, 0.749) 5. I have a good word for everyone. (2.43, 0.959) 6. I am sensitive to the feelings of others.(1.95, 0.829) 7. I make people feel comfortable.(1.89, 0.696) 8. I take time for others. (1.93, 0.722)
Academic dishonesty (Overall mean=4.160; Cronbach's Alpha=0.845)
1. Copying another student's homework assignment. (4.30, 0.723) 2. Asking someone to help you with a take home test. (3.39, 1.078) 3. Allowing another student to copy your assignment. (4.18, 0.786) 4. Allowing another student to copy from your exam. (4.74, 0.562) 5. Obtaining the answer to your assignment question on the internet. (3.29, 1.081) 6. Turning in another student's work as your own. (4.75, 0.568) 7. Using unauthorized cheat sheets during an exam. (4.88, 0.712) 8. Purchasing a paper to turn in as your own. (4.74, 0.589) 9. Using sources for your paper that were not cited or referenced. (4.14, 0.798) 10. Providing unauthorized assistance to a classmate. (3.51, 0.981) 11. Borrowing parts of a case analysis that someone else had done or that you found on the internet. (4.01, 0.919)

Table 2: Results of one-way ANOVA tests

Variable	Sum of Squares	d.f.	Mean Squares	F-value	Significance level
Business Major					
Self Interest					
Between Groups	5.541	2	2.771	5.724	p<.01
Within Groups	153.446	317	.484		
Concern for Others					
Between Groups	1.325	2	.662	1.984	Not Significant
Within Groups	110.177	330	.334		
Ethical Perceptions*					
Between Groups	5.000	2	2.500	7.774	p<.001
Within Groups	102.60	319	.322		
Program					
Self Interest					
Between Groups	7.322	4	1.831		
Within Groups	213.091	557	.383	4.785	p<.001
Concern for Others					
Between Groups	2.337	4	.584		
Within Groups	168.803	573	.295	1.983	Not Significant
Ethical Perceptions*					
Between Groups	7.053	4	1.763		
Within Groups	133.047	565	.235	7.488	p<.001

*Ethical Perceptions showed unequal variances and hence Dunnett's for unequal variances was used for this; all others used the LSD test to assess the significance of the F value.

References

- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50, 179-211.
- Baird, J. S. (1980). Current trends in college cheating. *Psychology in the Schools*, 7(4), 515-522. doi: 10.1002/1520-6807(198010)17:4<515::aid-pits2310170417>3.0.co;2-3

- Beck, L., & Ajzen, I. (1991). Predicting Dishonest Actions Using the Theory of Planned Behavior. *Journal of Research in Personality, 25*(3), 285-301. doi: 10.1016/0092-6566(91)90021-H
- Bloodgood, J., Turnley, W., & Mudrack, P. (2010). Ethics Instruction and the Perceived Acceptability of Cheating. *Journal of Business Ethics, 95*, 23-37.
- Brown, B. S. (1995). The academic ethics of graduate business students: A survey. *Journal Of Education For Business, 70*(3), 151-156.
- Brown, T., Sautter, J., Littvay, L., Sautter, A., & Bearnes, B. (2010). Ethics and Personality: Empathy and Narcissism as Moderators of Ethical Decision Making in Business Students. *Journal of Education for Business, 85*, 230-208.
- Buchan, H. (2005). Ethical Decision Making in the Public Accounting Profession: An Extension of Ajzen's Theory of Planned Behavior. *Journal of Business Ethics, 61*, 165-181.
- Cohen, Jeffrey, Pant, Laurie and Sharp, David, "The Effects of Gender and Academic Discipline Diversity on the Ethical Evaluations, Ethical Intentions and Ethical Orientation of Potential Public Accounting Recruits." *Accounting Horizons*, Vol. 12, No. 3, (September, 1998), 250-270.
- Cohen, J., Pant, L., & Sharp, D. (2001). An Examination of Differences in Ethical Decision-making between Canadian Business Students and Accounting Professional. *Journal of Business Ethics, 30*(4), 319-336.
- Davis, M. H. (1996). *Empathy: A social psychological approach*. Boulder CO: Westview Press.
- Davis, S., Grover, C., Becker, A., & McGregor, L. (1992). Academic Dishonesty: Prevalence, Determinants, Techniques, and Punishments. *Teaching of Psychology, 19*(1), 16-20.
- Haines, V., Diekhoff, G., Labeff, E., & Clark, R. (1986). College Cheating: Immaturity, Lack of Commitment and Neutralizing Attitude. *Research in Higher Education, 25*(4), 342-354.
- Iyer, R., & Eastman, J. (2006). Academic dishonesty: Are Business Students Different from Other College Students? *Journal of Education for Business, 82*(2), 101-110.
- Jones, D. (2011). Academic Dishonesty: Are more Students Cheating? *Business Communication Quarterly, 74*(2), 141-150.
- Jurdi, R., Hage, S., & Chow H. (2011). Academic Dishonesty in the Canadian Classroom: Behaviours of a Sample of University Students. *Canadian Journal of Higher Education, 41*(3), 1-35.
- Malone, F. (2006). The Ethical Attitudes of Accounting Students. *The Journal of American Academy of Business, 8*(1), 142-148.
- McCabe, D., Butterfield, K., & Trevino, L. (2006). Academic Dishonesty in Graduate Business Programs: Prevalence, Causes, and Proposed Action. *Academy of Management Learning & Education, 5*(3), 294-305.
- McCabe, D. L., & Trevino, L. K. (1995). Cheating among business students: A challenge for business leaders and educators. *Journal of Management Education, 19*(2), 205-214.
- Merriam-Webster, (n. d.). *self-interest*. Retrieved from <http://www.merriam-webster.com/dictionary/self-interest>
- Merriam-Webster, (n. d.). *empathy*. Retrieved from <http://www.merriam-webster.com/dictionary/empathy>
- O'Fallon, M. J., & Butterfield, K. (2005). A Review of the Empirical Ethical Decision-Making Literature. *Journal of Business Ethics, 59*(4), 375-413.
- Nguyen, N., Basuray, T., Smith, W., Kopka, D., & McCulloh, D. (2007). Moral Issues and Gender Differences in Ethical Judgment Using Reidenbach and Robin's (1990) Multidimensional Ethics Scale: Implication in Teaching of Business Ethics. *Journal of Business Ethics, 77*, 417-430.
- Payan, J., Reardon, J., & McCorkle, D. (2010). The Effect of Culture on the Academic Honesty of Marketing and Business Students. *Journal of Marketing Education, 32*(3), 275-291.
- Plinio, A., Young, J., & Lavery, L. (2010). The State of Ethics in our Society: A Clear Call to Action. *International Journal of Disclosure and Governance, 7*(3), 172-197.
- Shaub, M., Collins, F., Holzman, O., & Lowensohn, S. (2005). Self-interest vs. Concern for Others. *Strategic Finance, 86*(9), 40-45.

- Skinner, N. F. (1981). Personality Correlates of Machiavellianism II. Machiavellianism and Achievement Motivation in Business. *Social Behavior & Personality: An International Journal*, 9(2), 155-158.
- Smith-Lovin, L. (1995). The Sociology of Affect and Emotion. In K. S. Cook, G. A. Fine, & J. S. House (Eds.), *Sociological Perspectives on Social Psychology* (pp. 118-48). Boston: Allyn and Bacon.
- Smyth, L., Davis, J., & Kroncke, C. (2009). Students' Perceptions of Business Ethics: Using Cheating as a Surrogate for Business Situations. *Journal of Education for Business*, 84(4), 229-239.
- Stone, T., Jawahar, I., & Kisamore, J. (2009). Using the Theory of Planned Behavior and Cheating Justifications to Predict Academic Misconduct. *Career Development International*, 14(3), 221-241.
- Whitley, Bernard, E. (1998). Factors Associated with Cheating Among College Students: A Review. *Research in Higher Education*, 39(3), 235-274.
- Wilson, D. S., Near, D., & Miller, R. (1996). Machiavellianism: A Synthesis of the evolutionary and Psychological Literatures. *Psychological Bulletin*, 119(2), 285-299.

Robert A. MacDonald
Heather Steeves
Faculty of Business Administration
Crandall University

**Sunshine Kayak Adventures:
Fun, Sun, and a Flippin' Lot of Mazuma¹**

The decision to purchase a business is never easy, given the challenge of determining what constitutes a “reasonable” price. Matters are further compounded by all manner of additional factors that range from growth opportunities within the firm’s industry through to the readiness of the purchaser to engage the operation. *Sunshine Kayak Adventures: Fun, Sun, and a Flippin' Lot of Mazuma* traces the experience of two would be adventure tourism entrepreneurs as they contemplate the purchase of a small kayak tour enterprise. The reader is challenged to adopt the role of the consultant called in to advise the purchasers, and to seek to determine whether a deal should be pursued. The case seeks to invite discussion regarding the valuation of a going concern, the challenge of matching investor goals and objectives to suitable opportunities, and the requisites to engage in entrepreneurship.

Alan Mackenzie slowly let out his breath as he glanced over the papers scattered across his desk.² He’d been shuffling them around for the better part of an hour, and wasn’t sure if he was any further ahead than when he had started. “I’ve worked these kinds of problems out in finance class,” he thought. “But this is the real deal... I can’t afford to screw this up.”

He picked up a page covered with hastily scribbled notes he had taken during a meeting with Jordan Ingersoll and Geoff Conway. “I’m not even sure these guys know what they’re getting into... I mean, what do they know about kayaks? For that matter, what do I know about kayaks?”

Alan leaned back in his chair and stared at the street outside his window as he mulled the problem over in his mind.

Alan Mackenzie

Alan Mackenzie was born and raised in Grantville, Cape Breton, but had moved to Halifax to attend Dalhousie University. Although he had started out as a history major, a part time job as a customer service representative at the Royal Bank had piqued his interest in business. He graduated with a Bachelor of Commerce degree in 2004 and went to work for the Bank full-time, landing an entry-level position in small business account management the next year.

¹ The authors gratefully acknowledge the cooperation of company ownership in the preparation of this case. Some data has been changed or distorted for confidentiality purposes. This case is based on historical events and not intended to illustrate either effective or ineffective decision-making.

² Information for this case derived from personal interviews with parties involved and information provided by the company.

The completion of an MBA from Saint Mary's University in 2008 helped Alan to discover an entrepreneurial bent that had until then been unknown. At the urging of one of his closest friends, he impulsively quit his job at the Bank and registered Mackenzie Business Consultants (MBC) – a sole-proprietorship offering a variety of services to small and medium sized enterprises. Persistence paid off, and Alan soon found himself with a small book of clients for whom he had done everything from preparing business plans to filing tax returns.

One frosty morning in March 2011 Alan received a phone call from one of his friends, who explained that two of her acquaintances were interested in buying an “ecotourism business.” They had received a package of information from the owner, but were unsure of whether or not the company was “a good deal.”

An Option to Buy

Alan had met with Jordan Ingersoll and Geoff Conway at a Tim Horton's coffee shop in Timberlea, a community just outside of Halifax. As he greeted them, Alan was immediately struck by how different each appeared. Both were in their early twenties, but that's where the similarities seemed to end. Jordan was tall and heavy-set with curly red hair and beard, and plenty of piercings. Amid sentences punctuated with “dude,” “sweet,” and “righteous” he explained that he was an avid skateboarder and extreme mountain biker. Geoff on the other hand seemed quieter and more reserved. The computer programmer explained that he and Jordan had grown up together and had both recently married their high school sweethearts.

As they sipped their coffee, the two explained that they had been looking for a business opportunity to provide (a) Jordan with employment and (b) Geoff with a supplement to his income. Jordan indicated that he would be content with an income around \$10,000 annually for the first few years of business given that his wife had full time employment. Geoff explained that he'd like to see “a decent return” on his investment, although he was aware that “long term gain may require some short term pain.” In terms of capital to invest in a business, Geoff told Alan that he had approximately \$5,000 in savings and that his mother and father were willing to put up \$15,000 as an interest free loan repayable when possible. Geoff explained that any additional funds would be borrowed from a bank, as Jordan's investment would be “sweat equity.”

Jordan and Geoff had come across a number of businesses for sale in the Halifax area, but one in particular had stood out – Sunshine Kayak Adventures. The owner, Tyler Emerson, had quoted a price of \$93,000 for the business, but Jordan and Geoff were unsure as to whether this was too much to pay for the operation. “It's an awesome business dude,” Jordan had said. “But man - that's a flippin' lot of mazuma!”³

Geoff explained that they had met with Tyler earlier that week, and that he had given them an overview of the business along with financial reports outlining how the business had been doing.

Sunshine Kayak Adventures

Tyler Emerson had grown up in Seaforth, NS, a small community about 20 km east of Halifax. The community was home to the Blue Fin Canoe Club, where he discovered a passion for paddling at an

³ Believe it or not, Jordan actually spoke like this.

early age. While in high school, he developed a love for the stories of the Voyageurs, who had paddled their way west as they opened up the Canadian frontier, and would spend hours planning his own paddling trips down to the minutest detail.⁴ He dreamed of one day being in business for himself and sharing his love of paddling – and the tremendous natural beauty of Nova Scotia – with others.

Upon graduation Tyler set about making his dream a reality. In 2005, with a bit of seed money derived from coaching activities, he purchased two kayaks and founded Sunshine Kayak Adventures. Using his connections in the Halifax athletic community, Tyler secured space at the Saint Mary's Boat Club on the city's scenic Northwest Arm of the harbour. With a website⁵, contacts at local retailers that catered to the outdoor lifestyle, and word of mouth, Tyler found the business growing quickly and – while essentially seasonal in nature – generating a level of profitability that he considered to be quite acceptable.

Tyler considered the key to success in a sea kayaking operation to be the ability to offer a broad range of services to an adventuresome clientele that was looking for something a little bit different at a fair price. Accordingly he had broken the company's offerings up into four categories: Instruction, Tours, Rentals, and Programs (Exhibit 1).

He felt that kayak instruction was an important way to give back to the pastime that had given so much to him. By training others to become proficient paddlers, the perception of sea kayaking as a safe and fun pursuit would be enhanced and more people would be drawn to participate. Courses had historically been a financial mainstay for Sunshine, largely due to the fact that they could be offered year round by taking advantage of local swimming pool facilities.

While Tyler provided many of the courses himself, he also employed a number of seasoned paddlers on a contingency basis, who also assisted in the provision of tours. He took pride in the fact that the members of his "Sea Team" were accomplished and certified sea kayakers, trained in Wilderness First Aid, CPR, and had completed CRCA⁶ Instructor and Guide training. Tyler felt that safety and professional competency were two key factors that differentiated Sunshine from other competitors.

He enjoyed the tour aspect of the business the most as it provided him with the opportunity to relive the Voyageur dreams of his youth. Scenic paddling opportunities in and around Halifax Harbour abounded, and he felt that a combination of diverse tour offerings, location, and competitive price positioned Sunshine very well with respect to its competitors. While seasonal in nature, tours had historically provided a dependable revenue stream for the business.

Rentals typically provided Sunshine with its third largest source of revenue. From Tyler's perspective, Nova Scotia was a province blessed with an abundance of paddling clubs and paddlers, and he sought to exploit that fact by providing quality boats to qualified adventurers. During the peak summer months of July and August Sunshine could count on steady rental business throughout the week, with good rental traffic on weekends during the "shoulder" months of May, June, September, and October.

Tyler considered Sunshine's diverse program offerings an incremental source of revenue and in some cases didn't particularly care if they made money as long as they were fun to do and helped generate goodwill toward the business.

⁴ From Sea to Sun and Beyond

⁵ <http://www.paddlenovascotia.com>

⁶ Canadian Recreational Canoe/kayak Association

The Sea Kayaking Industry

Alan Mackenzie had come away from his meeting with Jordan and Geoff intrigued by the notion of purchasing Sunshine Kayak Adventures, but quickly realized that neither he nor they had any real understanding of the market. Alan immediately went to work trying to track down information on what the marketplace looked like for businesses like Sunshine. One of his first discoveries was that – according to the Canadian Tourism Commission – Sunshine was not an *ecotourism* operation, but an *adventure tourism* business.

Ecotourism is travel that creates a high level of understanding and interpretation of cultural and natural history, while safeguarding the integrity of ecosystems. It produces economic benefits to local communities that encourage resource preservation and sustainable tourism development practices.

Adventure Tourism is an outdoor leisure activity that generally takes place in an unusual, exotic, remote, or wilderness setting, usually involving some form of unconventional means of transportation, and tending to be associated with low or high levels of physical activity. The activity may also entail some element of risk.⁷

Armed with that information, Alan had contacted the Canada Business Service Centre which was able to provide him with limited information regarding adventure tourism – specifically sea kayaking – most of which appeared to have originated from government research on the market in North America. One study suggested that there were approximately 7 million potential customers in North America who desired to engage in canoeing or kayaking experiences taking place in Canada⁸. Of this number, 63% were American and 37% Canadian. The document went on to state that it considered the canoe / kayak segment of the tourism industry to be a niche market (Exhibit 2).

Alan's research also showed that while significant numbers of tourists made Quebec, Ontario, and British Columbia a vacation destination, many canoeists and kayakers experienced a strong draw to eastern and western Canada. Among traveling Canadian canoeists / kayakers, 24% were drawn to Atlantic Canada. Among Americans, 11% were drawn to the region.⁹ Alan had little doubt that Nova Scotia's rugged coastline and picturesque seaside villages played no small role in attracting paddlers to the area.

In addition to the North American market, Alan learned that significant opportunity existed in two segments: (1) the European market, which demonstrated strong demand for adventure tourism (and specifically kayaking) in the Netherlands, France, and Switzerland, and (2) the female demographic, as research showed that women were playing a more important role in travel decisions than ever before.¹⁰ Other positives he felt made the industry attractive were its forecast growth. By 2025 the American canoeist / kayaker market segment was predicted to grow by 24% to 5.5 million, while the Canadian market segment was expected to follow suit at a rate of 8% to 2.6 million.¹¹

⁷ A Breath of Fresh Air: A Business Strategy for Outdoor Tourism Product Development in Canada

⁸ A Snapshot of the Canoeing and Kayaking Travel Market in North America

⁹ Ibid

¹⁰ Outdoor Tourism: An Industry Profile and Resource Guide

¹¹ A Snapshot of the Canoeing and Kayaking Travel Market in North America

Market Competition

Alan determined that the marketplace for adventure related operations such as Sunshine was not particularly well developed in Nova Scotia, and that direct competitors were peppered geographically around the province. Tyler Emerson estimated that there existed seven operations¹² that competed more or less directly with Sunshine, some of which were new entrants to the marketplace within the past two years (Exhibit 3).

The Sunshine Prospectus

Jordan and Geoff had provided Alan with a copy of the paperwork Tyler had given them regarding the business – a “prospectus” as he called it. He had explained to the entrepreneurs that while he had enjoyed the business immensely, he was considering pursuing other interests in the Halifax area. Also, despite the fact that he was selling the business, he stated that he was “more than willing” to remain connected with Sunshine in a training and advisory capacity.

The Sunshine prospectus (Exhibits 4-7) consisted of four pages of notes Tyler had compiled regarding the business and its growth, and pertinent financial data he considered important. Appended to the document was a copy of Tyler’s T2125 Summary (Exhibit 8) from his 2009 personal income tax return. Tyler had explained that while the prospectus had been prepared in October 2010, he had not done any business from that point on, choosing to take the fall months to relax and “shop the business around.” The only material change to the information as presented was that two red Amaruik kayaks had been sold for \$1,650 each (Exhibit 6 items 20 and 21). He had also filed his tax return for the 2010 year in the interim, and included a copy of the T2125 Summary to provide, as he put it, “the most up to date picture as possible of how Sunshine is doing.”

The Sunshine Decision

Alan laid the eraser he had been tossing into the air back onto his desk and looked forlornly at the papers that lay before him. “I guess there are a number of issues to consider here,” he thought. “At first blush the question is ‘should they buy Sunshine?’, but I’m thinking there are more fundamental questions to be answered first.”

He took off his glasses and rubbed the bridge of his nose. “This might take awhile,” he thought.

References

- A Breath of Fresh Air: A Business Strategy for Outdoor Tourism Product Development in Canada. (2001). Ottawa: Canadian Tourism Commission.
- Buote, M. (2006). From Sea to Sun and Beyond. *AtlanticZone.ca*. Retrieved from <http://english.aliant.net/FeatureArticle.jsp?language=en&banner=true&FeatureID=7698651&channel=Sports>
- Outdoor Tourism: An Industry Profile and Resource Guide. (2001). Ottawa: Canadian Tourism Commission / Canadian Tourism Human Resources Council.

¹² http://www.kayakonline.com/nova_scotia.html

Rogers, J. (2003). *A Snapshot of the Canoeing & Kayaking Travel Market in North America*. Ottawa: Canadian Tourism Commission.

Exhibit 1: Sunshine Kayak Adventures Service Categories

1. Instruction	Price K1	Price K2¹³
(a) Sea Life (full day all-inclusive introduction to sea kayaking)	\$269	\$220
(b) Stars 'n Phosphorescence (24 hour overnight intro to sea kayaking)	\$199	\$179
(c) Advanced Strokes	\$65	-
(d) CRCA Level 1 and Flatwater Skills	\$199	-
(e) Guide Training (Fall or Winter class)	\$995	-
(f) Introduction to Sea Kayaking (half day)	\$57	\$57
(g) Kayak Rolling	\$75	-
(h) PEP – Powerful, Efficient Paddling	\$65	-
(i) Private Lessons	\$50	-
(j) Rescue Training	\$65	-
(k) Wilderwomen Kayak Training Part I (2 days)	\$275	\$235
(l) Wilderwomen Kayak Training Part II (2 days)	\$275	\$235
(m) Youth Kayak School	\$188	-

2. Tours	Price K1	Price K2
(a) Harbour Hopping Tour (2 days)	\$269	\$220
(b) Seafari (full day)	\$99	\$79
(c) Sea Quest (half day)	\$65	\$65
(d) Serenity (2 days)	\$199	\$179
(e) Sea Quest Group Tour (4 hours)	\$40	\$40
(f) Sea Life Group tour (6 hours)	\$69	\$69
(g) Sea Traveler (6 hours)	\$99	\$89
(h) Island Cruisin' (3 days)	\$399	\$399
(i) The Honeymoon Suite (6 hours)	\$200	\$200
(j) Kayak Fishing Trips (6 hours)	\$99	\$99

¹³ K1 and K2 denote one and two person kayaks (and thus one client or two clients)

Exhibit 1: Sunshine Kayak Adventures Service Categories

3. Rentals

Single Sea Kayak

Hourly	½ Day	Full Day	2 Days	3 Days	4 Days
\$12.50	\$40.00	\$58.00	\$100.00	\$125.00	\$150.00*

Double Sea Kayak

Hourly	½ Day	Full Day	2 Days	3 Days	4 Days
\$12.50	\$40.00	\$58.00	\$100.00	\$125.00	\$150.00

Single White Water Kayak

Hourly	½ Day	Full Day	2 Days	3 Days	4 Days
\$12.50	\$40.00	\$58.00	\$100.00	\$125.00	\$150.00

All rentals include the necessary daylight Coast Guard approved equipment requirements.

* Rentals over 4 days charged at \$30 per day.

4. Programs

- (a) 50% Fridays
 - (b) Group Paddling Socials (8 persons or more)
 - (c) Birthday Parties (8 persons or more)
 - (d) Corporate Tours
 - (e) Monday / Wednesday Night Social Club
 - (f) Self-Guided Kayak Adventures
 - (g) Sunset Paddle
 - (h) Volunteer "Sea Patrol"
-

Exhibit 2: Demographic Profiles of Canoeists / Kayakers¹⁴

	Canadians	Americans
Gender		
Males	54%	55%
Females	46%	45%
Age (18+)		
18-34	46%	29%
35-54	46%	48%
55+	8%	18%
Average Age	36 years	43 years
Education		
University Graduate	29%	42%
Household Income		
	CDN\$	USD\$
Under \$60,000	59%	43%
\$60,000-\$99,999	27%	33%
\$100,000	14%	23%
Average Income	\$59,000	\$71,600
Household Composition		
Adult Only	61%	61%
Teens/Children	38%	30%

¹⁴ A Breath of Fresh Air: A Business Strategy for Outdoor Tourism Product Development in Canada

Exhibit 3: Competitive Profile

1. Adventures East (Halifax, NS)¹⁵

Services Offered	Price
(a) Full Day Sea Kayaking (Prospect, NS)	\$89
(b) Sunset Kayak Tour (Prospect, NS)	\$49
(c) Day Adventures – Coastal Hiking (Duncan’s Cove, NS)	\$49
(d) Halifax Kayaking Adventure (3 days/2 nights)	\$219
(e) Prospect Kayaking Adventure (3 days/2 nights)	\$219
(f) Peggy’s Cove Kayaking Adventure (3 days/2 nights)	\$219
(g) West Dover Kayaking Adventure (3 days/2 nights)	\$198

Other: ⇒ Established 1999
 ⇒ CRCA certification

2. Coastal Adventures (Tangier, NS)¹⁶

Services Offered	Price
(a) 7 Different Coastal Tours of NS (3 days – 7 days)	\$525 - \$1,450
(b) PEI North Shore Tour (5 days)	\$1,050
(c) Newfoundland Southwest Coast or Baie Verte Peninsula Tour (8 days)	\$1,750
(d) Quebec Lower North Shore Tour (8 days)	\$1,850
(e) All Women Tour (Tangier, NS)	\$525
(f) Day Trips (Tangier, NS) (half day / full day)	\$75 - \$100
(g) Instruction – Safety and Handling Clinics	\$80 - \$1,250
(h) Customized Tours	Various
(i) Kayak and Canoe Sales and Rentals	Various
(j) “Paddler’s Retreat” Bed and Breakfast (nightly)	\$45 - \$75

Other: ⇒ Established 1982
 ⇒ CRCA certification
 ⇒ BCU certification¹⁷
 ⇒ AECSKO certification¹⁸

¹⁵ <http://www.aek.ca>

¹⁶ <http://www.coastaladventures.com>

¹⁷ British Canoe Association

¹⁸ Association of Eastern Canadian Sea Kayaking Outfitters

Exhibit 3: Competitive Profile

3. Coastal Spirit Expeditions (River John, NS)¹⁹

Services Offered	Price
(a) The Adventurer (Pictou, NS or Rover John/Cape John, NS – 3 hours)	\$50
(b) The Explorer (Pictou, NS or Rover John/Cape John, NS – 5 hours)	\$95
(c) The Navigator (Pictou, NS or Rover John/Cape John, NS – 2 days)	\$285
(d) Bay of Fundy Tour (6 days)	\$1,045
(e) Cape Breton Highlands Tour (6 days)	\$1,045
(f) Cycling Tours of Cape Breton, NS	Various

Other: ⇒ Established 1999
 ⇒ ACSKG certification²⁰
 ⇒ SKGABC certification²¹
 ⇒ AECSKO certification

4. East Coast Outfitters (Lower Prospect, NS; Mahone Bay, NS)²²

Services Offered	Price
(a) Half Day Escape Tour (4 hours)	\$65
(b) Full Day Escape Tour (6 hours)	\$115
(c) Sunset Escape Tour (2.5 hours)	\$40
(d) Evening Specials (different activities each night – 2 hours)	\$25
(e) Paddling / Cycling Combos (half day / full day)	\$88 - \$138
(f) Half Day and Full Day Group Tours	Various

Other: ⇒ Established 2000

5. Freewheeling Adventures (Hubbards, NS)²³

Services Offered	Price
(a) NS Kayak, Bike, Hike Tour (Self-Guided / Guided – 6 days)	\$1,495 - \$1,795
(b) NS Inn-to-Inn Paddling Tour (Guided – 5 days / 7 days)	\$1,195 - \$2,295
(c) NS Kayak Camping Tour (Guided – 5 days)	\$1,195
(d) NS Bike and Kayak Tour (Guided – 2 days)	\$595
(e) Paddling Day Trips (Hubbards / Mahone Bay)	\$160 - \$225
(f) Kayak, Canoe, Wetsuit Rentals	Various

Other: ⇒ Established 1988

¹⁹ <http://www.coastalspiritexp.com>

²⁰ Association of Canadian Sea Kayak Guides

²¹ Sea Kayak Guides Alliance of British Columbia

²² <http://www.eastcoastoutfitters.net>

²³ <http://www.freewheeling.ca>

Exhibit 3: Competitive Profile

6. North River Kayak Tours (Baddeck, NS)²⁴

Services Offered	Price
(a) Half Day Tour	\$55
(b) Full Day Tour	\$99
(c) "Roughing It and Romance" Tour (overnight)	\$249
(d) Highland Getaway Tour (3 days)	\$649
(e) Kayak and Canoe Rentals (full day / half day)	Various

Other: ⇒ Established 1995
 ⇒ CRCA certification
 ⇒ BCU certification

7. NovaShores Adventures (East Dover, NS)²⁵

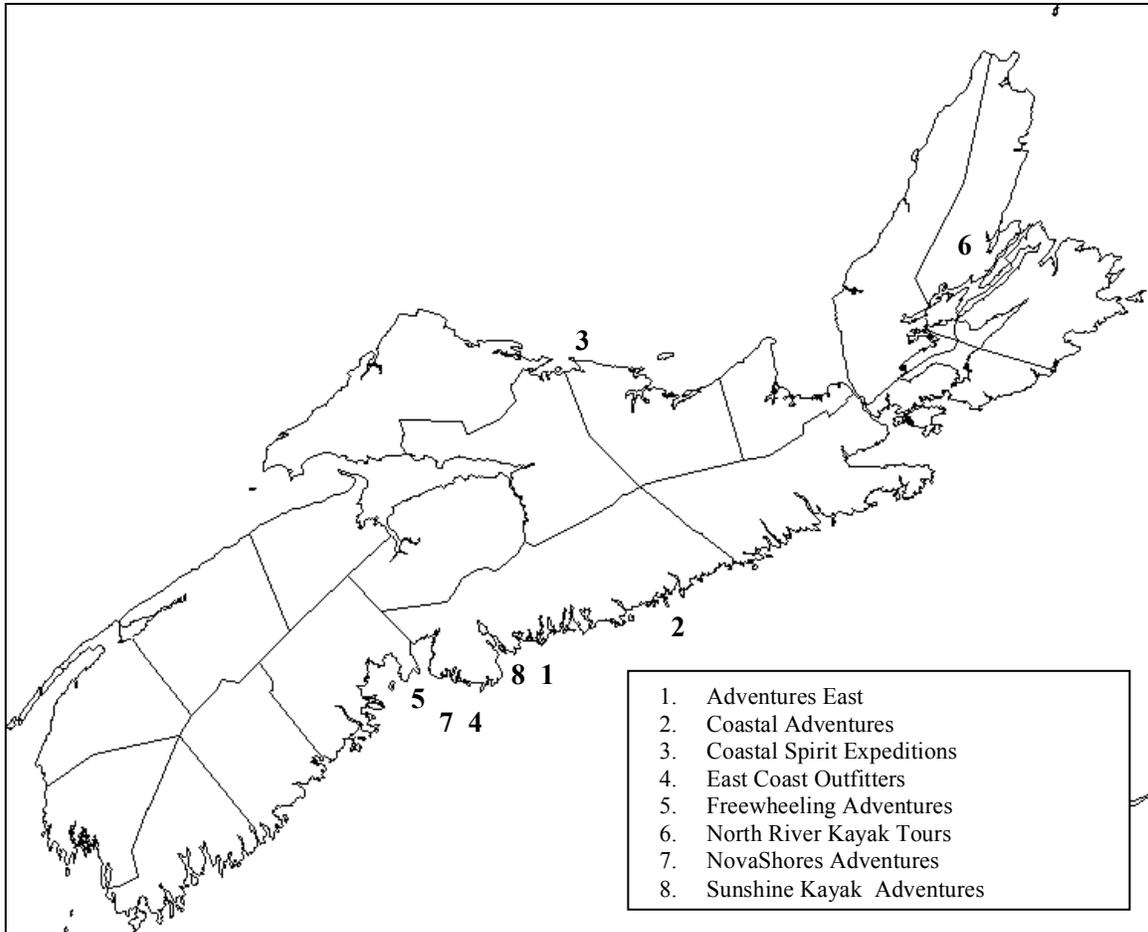
Services Offered	Price
(a) Bay of Fundy Day Tour	\$69
(b) Dover on the Rocks Tour (half day)	\$55
(c) Ocean View Island Exploring Tour (full day)	\$95
(d) Peggy's Cove Lighthouse Tour (full day)	\$95
(e) Sunset Dreamer Tour (2 hours)	\$45
(f) Custom Tours	Various
(g) Kayaks for Sale	Various

Other: ⇒ Established 2000
 ⇒ CRCA certification

²⁴ <http://www.northriverkayak.com>

²⁵ <http://www.novashores.com>

Exhibit 3: Competitive Profile



Geographic Location of Sunshine and Competitors in Nova Scotia

Exhibit 4: Page 1 of Sunshine’s “Prospectus”

Sunshine Kayak Adventures, Halifax, Nova Scotia, Canada

Sunshine has completed its 5th year in business. Due to the growth of sea kayaking, we are moving forward into the year with great anticipation.

Please note that in the past Sunshine had selected to try and expand its locations throughout the city, yet to ensure the quality organization of its programs and reduce overhead, these locations were closed and funneled into the successful Halifax location. This is reflected in the differences between the 2009 and 2010 figures.

The next year will be run from the Halifax location at the SMBC²⁶ where overhead is minimized, programs run efficiently and effectively, and population is maximized and familiar with our site. For further information, other than that provided below, please see our website.

Sales

<u>2010*</u> (1 location)	<u>2009</u> (3 locations)	<u>2008</u> (2 locations)	<u>2007</u>	<u>2006</u>
\$55,226.00	\$81,892.00	\$31,466.00	\$20,214.00	\$12,089.00

Major Expenses

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
RENT	2000+15% of onsite activity	/	/	/	/
INSURANCE	\$1,700.00	\$2,500.00	\$1,800.00	\$900.00	/
Guides** & Supplies***	\$31,758.00	\$32,621.00	\$18,814.00	\$6,615.00	\$4,728.00

*For improved quality of services, it was decided to have just one location. Year 2010 was a very smooth, efficient year.

**This includes amounts paid to guides/instructors, not including my draws.

***23 kayaks were purchased during the 2009 and 2010 seasons.

Net Profit

\$23,468.00	\$37,270.00	\$14,698.00	\$13,599.00	\$7,361.00
--------------------	--------------------	--------------------	--------------------	-------------------

²⁶ Saint Mary’s Boat Club

Exhibit 5: Page 2 of Sunshine's "Prospectus"

<u>Breakdown of Profit Areas (last year)</u>	
RENTALS:	\$13,008.00
COURSES (Day Trips):	\$26,270.00
EXPEDITIONS:	\$15,948.00

Expeditions / Trips

Sunshine Kayak Adventures provides expeditions / trips from 2 hours to 4 days. Our guides / instructors (GI's) are very familiar with these areas and are all thoroughly trained and certified (CRCA) leaders.

Courses / Clinics

Courses: Our courses range from the very popular 3-hour introduction to sea kayaking, full day intro courses, rolls, rescues, Canadian certified courses from Level 1-3 (advanced), and run all season long. Winter pool courses take place / are promoted at the Dalplex²⁷, at Northcliffe Pool (promoted by Sunshine), and are described on our website. New courses are being added every year.

Rentals

Sunshine provides club discounts to Sunshine Members (course / trip graduates) of 10%. Sunshine has a flexible rental program ranging from 1 hour to extended off-location rentals. Many of our customers are return renters and this is enhanced by pre-purchased *season passes* and the *Monday/Wednesday Night Social Club* where renters are anxious to get out on the water more frequently.

Advertising

A new brochure for the next season is underway which will promote the information outlined above, as well as the website which has succeeded in drawing in a large percentage of expedition profits through an on-line contact / registration process.

²⁷ Dalhousie University's athletic facility

Exhibit 6: Page 3 of Sunshine’s “Prospectus”

SUNSHINE KAYAK ADVENTURES INVENTORY – FALL THIS YEAR

<u>Boats</u>		<u>Replacement Value</u>
1.	Sealution XS (Yellow)	1,418.00
2.	Sealution XS (Blue)	1,418.00
3.	Sealution II (Red)	1,418.00
4.	Dagger Seeker (Red)	1,249.00
5.	Dagger Seeker (Purple)	1,249.00
6.	Dagger Baja (Red)	1,350.00
7.	Dagger Baja (Yellow)	1,350.00
8.	Dagger Atlantis (Turquoise)	1,500.00
9.	Perception Carolina (Grey)	1,115.00
10.	Perception Carolina (Green)	1,115.00
11.	Perception Captiva (Blue)	1,350.00
12.	Perception Captiva (Blue)	1,350.00
13.	Perception Eclipse (Red)	1,520.00
14.	Lookshaw IV (Turquoise)	1,450.00
15.	Narpa (Turquoise)	1,450.00
16.	Kyook (Orange)	1,300.00
17.	Kyook (Turquoise)	1,300.00
18.	Zoar (Red)	1,400.00
19.	Zoar (Yellow)	1,400.00
20.	Amaruk (Red)	1,650.00
21.	Amaruk (Red)	1,650.00
22.	Amaruk (Yellow)	1,650.00
23.	Amaruk (Orange)	1,650.00

TOTAL (Boats Only): \$32,302.00

Note: On October 1st, 2 kayaks will be sold (should an offer not be made by then for the company).

Exhibit 7: Page 4 of Sunshine's "Prospectus"

<u>OTHER EQUIPMENT</u>		
	<u>#</u>	<u>Price</u>
Paddles:	28	2,240.00
Life Jackets:	30	1,350.00
Stoves:	5	240.00
Tents:	3	400.00
Survival Bags:	1	75.00
Dry Bags:	3	150.00
Computer:	1	200.00
Printer:	1	100.00
Cooler Bags:	10	150.00
Signs:	150	200.00
Fishing Rods/Gear:	2	60.00
Water Blasters:	2	40.00
Trailers:	2	1,500.00
Suburban:	1	2,500.00
Cutlery/Cooking Utensils/Pots:		300.00
Displays:	4	300.00
Sprayskirts:	28	2,240.00
Laminator:	1	70.00
Tarps:	1	10.00
Walkie Talkies:	2	100.00
Fridges:	2	300.00
Radio/Tapes/CD's:	1 dozen	100.00
Cordless Headset Phone:	1	50.00
Website and URL:		500.00
Total present value of equipment (not including kayaks):		\$13,175.00
<u>Established Relationships:</u>		
Trail Shop		
Valhalla Pure		
Lobster Tails		
Ryan Island		
Building/Location/ Return Customers		
Dalplex		
Dragon Boat Association		
TOTAL ASSETS:		\$45,477.00
Sale Price:		\$93,000.00

Exhibit 8: Tyler's T2125 Summary (2009)

STATEMENT OF BUSINESS ACTIVITIES T2125: COMPARATIVE SUMMARY							
Income	2008		%Gross Income	2009		%Gross Income	%Change from 2008
Sales, commis., fees	31,466	66	100.00	81,892	86	100.00	160.25
T4A Slips							
Sales taxes included							
Returns, allowances							
Last year's reserves							
Other income							
Gross income	31,466	66	100.00	81,892	86	100.00	160.25
Cost of Sales							
Opening inventory							
Purchases				18,123	73	22.13	
Sub-contracts	16,767	55	53.29	19,892	00	24.29	18.63
Direct wages							
Other costs				6,605	36	8.07	
Closing inventory							
Cost of sales	16,767	55	53.29	44,621	09	54.49	166.12
Gross Profit	14,699	11	46.71	37,271	77	45.51	153.56
Expenses							
Advertising	2,250	00	7.15	8,193	90	10.01	264.17
Bad debts							
Tax, fees, licenses	129	00	0.41	750	06	0.92	481.44
Delivery, freight							
Fuel							
Insurance	1,800	00	5.72	2,500	00	3.05	38.89
Interest				1,387	67	1.69	
Maint & repair	284	93	0.91	1,318	49	1.61	362.74
Mgmt & admin fees							
Allowable meals & Ent.	602	25	1.91	310	10	0.38	-48.51
Motor vehicle	2,046	07	6.50	9,557	78	11.67	367.13
Office expense	592	42	1.88	2,206	35	2.69	272.43
Supplies							
Professional fees							
Property tax							
Rent	2,900	00	9.22	11,203	21	13.68	286.32
Salaries/wages							
Travel				3,993	10	4.88	
Phone & Util.	2,148	39	6.83	4,537	22	5.54	111.19
Other expenses				165	00	0.20	
Allowance on ECP							
CCA Claimed	2,360	56	7.50	10,408	28	12.71	340.92

Exhibit 9: Tyler's T2125 Summary (2010)

STATEMENT OF BUSINESS ACTIVITIES T2125: COMPARATIVE SUMMARY							
Income	2009		%Gross Income	2010		%Gross Income	%Change from 2009
Sales, commis., fees	81,892	86	100.00	55,226	00	100.00	-32.56
T4A Slips							
Sales taxes included							
Returns, allowances							
Last year's reserves							
Other income							
Gross income	81,892	86	100.00	55,226	00	100.00	-32.56
Cost of Sales							
Opening inventory							
Purchases	18,123	73	22.13	14,178	00	25.67	-21.77
Sub-contracts	19,892	00	24.29	17,580	38	31.83	-11.63
Direct wages							
Other costs	6,605	36	8.07				
Closing inventory							
Cost of sales	44,621	09	54.49	31,758	38	57.51	-28.83
Gross Profit	37,271	77	45.51	23,467	62	42.49	-37.03
Expenses							
Advertising	8,193	90	10.01	3,748	18	6.79	-54.23
Bad debts							
Tax, fees, licenses	750	06	0.92	430	94	0.78	-42.67
Delivery, freight							
Fuel							
Insurance	2,500	00	3.05	1,700	00	3.08	-32.00
Interest	1,387	67	1.69	212	16	0.38	-84.73
Maint & repair	1,318	49	1.61	165	58	0.30	-87.48
Mgmt & admin fees							
Allowable meals & Ent.	310	10	0.38	557	26	1.01	80.00
Motor vehicle	9,557	78	11.67	4,180	03	7.57	-56.27
Office expense	2,206	35	2.69	318	81	0.58	-85.58
Supplies							
Professional fees							
Property tax							
Rent	11,203	21	13.68	3,951	51	7.16	-64.73
Salaries/wages							
Travel	3,993	10	4.88				
Phone & Util.	4,537	22	5.54	3,674	19	6.65	-19.00
Other expenses	165	00	0.20	86	14	0.16	-47.88
Allowance on ECP							
CCA Claimed	10,408	28	12.71				

Sunshine Kayak Adventures

Instructor Manual to the Case

Case Summary

Jordan Ingersoll and Geoff Conway have contracted small business consultant Alan Mackenzie for the purpose of evaluating a business opportunity. Tyler Emerson, owner of Sunshine Kayak Adventures of Halifax, NS, has placed the business up for sale. Alan gathers data from the two entrepreneurs, the business, and industry sources, and as the case closes is seeking to make a recommendation as to whether Jordan and Geoff should pursue the purchase.

Objectives of the Case

The case seeks to invite discussion regarding the valuation of a going concern, the challenge of matching investor goals and objectives to suitable opportunities, and the requisites to engage in entrepreneurship by challenging the student to:

- (a) Evaluate information to identify what is important / not important
- (b) Apply relevant analysis in the formulation of a purchase decision
- (c) Develop objective decision making criteria in light of identified goals, objectives, and available resources

Basic Pedagogy

Courses: the case is recommended for use in a Managerial Accounting, Finance, and/or Entrepreneurship course, specifically in that portion dealing with small business valuation, goal determination, and decision making.

Level: the case is recommended for use at the mid to senior undergraduate level.

Prerequisites / Co-requisites: introductory finance.

Key Issues:

- Business valuation
- Matching investor goals / objectives to market opportunities
- Entrepreneurship

Research Methodology

The narrative and accompanying Instructor Manual is based upon primary field research that consisted of personal interviews with case principals and the examination of source documents. Secondary sources were evaluated in the development of market and industry segments. For confidentiality purposes the names of the case principals were changed, as was the name of the business.

Financial information is as presented, although (a) dates were adjusted and (b) the T2125 Summary for 2010 was extrapolated to provide a more complete presentation of events.

Relevant Theory

- SWOT Analysis
- Entrepreneurial Readiness Assessment
- Financial Analysis
- Business Valuation

Assignment Questions²⁸

- (1) **In role as Alan Mackenzie, prepare a report for Jordan and Geoff that includes a recommendation for or against the purchase and a clear explanation of the rationale behind the decision.²⁹**
- (2) **Discuss the suitability of the opportunity to the entrepreneurs' desires.**
- (3) **Assess Jordan and Geoff's level of preparedness with respect to the opportunity.**
- (4) **Is the opportunity a "good investment"? Explain.**

A. Marketing Analysis

While somewhat secondary to the financial considerations of the case, rudimentary market-related information is included in the narrative, and students may choose to explore the viability of the enterprise from this perspective. While a number of different approaches may be applied, a basic SWOT analysis touches on most of the main points.

Strengths: Sunshine is an established operation, having been founded in 2005 and remained solvent over the course of its history. The firm may be benefiting from first-mover advantage, given that it is the oldest operation in the Halifax area, and that only one other competitor in greater Nova Scotia pre-dates it. The proprietor, Tyler Emerson, is experienced in the core offerings of the business, and appears highly motivated.

The company is availed of an urban location with secure ocean access, which provides Sunshine with access to a significant domestic market as well as to the many tourists who make the city a destination. The market can access a variety of offerings (instruction, tours, rentals, and programs) at what appear to be competitive prices, and the company benefits from an apparent strong emphasis on safety (given references to various certifications). Sunshine also benefits from established marketing relationships with a number of complimentary businesses in the city.

²⁸ Rather than respond to each question individually, the authors have elected to conduct a broader analysis that seeks to address each.

²⁹ Question 1 is better suited to a project approach to the case, while questions 2-4 would be more appropriate for shorter assignment / discussion.

Weaknesses: The business suffers from a lack of professional management. Like many entrepreneurs, Tyler appears to have an excellent grasp of the services rendered, but is likely deficient in many other areas (as suggested by questionable accounting practices evidenced within the narrative). As discussed in the Entrepreneurial Readiness Assessment, this situation is unlikely to improve should Jordan and Geoff exercise the option to purchase.

In terms of marketing activities, Sunshine's efforts appear to be quite localized (with the exception of its website). While these complimentary relationships are an excellent conduit to the domestic market, they do little to reach potential clients in the greater Nova Scotia area, the rest of Canada, and abroad.

The firm also lacks a strong record of profitability, a committed full time staff compliment, and is doubtless impacted by the seasonal aspects of the operation.

Opportunities: The industry appears to be in a state of growth, given that the entire adventure tourism segment is expanding and that there is a good draw of kayakers to the Atlantic region from North America. Opportunities also appear to exist in the European market and among the female demographic.

Threats: While Sunshine is subject to the broader vagaries of the tourism industry (including economic downturns, the draw of other regions, etc.) the company's most significant threat is its competition. While most competitors within Nova Scotia appear to be similar in size and scope to Sunshine, it is noteworthy that four of the seven identified are within a 30 minute drive of Sunshine's location. This geographic proximity provides access to the same domestic opportunities from which Sunshine benefits, and may also open doors to potential clients who are not interested in the urban environment in which the firm operates.

Industry growth within Nova Scotia is doubtless attracting new entrants to the market. Within the last two years, four of the seven competitors identified have commenced operation. All competitors compete with Sunshine with respect to tour services, and some offer rentals and programs similar to the firm's offerings. Insofar as instruction is concerned, it appears that only Coastal Adventures competes in this area.

Overall, Sunshine Kayak Adventures is a small business operating in a niche market and achieving some level of success in spite of its weaknesses. While threats to the operation's future viability do exist, given the level of industry growth forecast Sunshine appears well positioned to carry forward into the future and – from an operational perspective – would likely be a reasonable investment for the right owners at the right price.

Should students recommend that Jordan and Geoff proceed with the purchase, it is important that they note the obvious inexperience with (a) small business operation and (b) the adventure tourism / sea kayaking business, both of which pose a considerable threat to future viability. One fact that should be identified in such an event is Tyler's willingness to continue to assist the operation on a contingent basis, and the need to potentially solidify or define the nature of this relationship. There is also a need to solicit professional assistance into the immediate future (perhaps in the form of Alan Mackenzie).

B. Entrepreneurial Readiness Assessment

The case provides only a cursory overview of the entrepreneurs' strengths and weaknesses, although it is clear that both individuals – while motivated to seek out investment opportunities – have

little experience in small business operations. Students may elect to assess Jordan and Geoff's qualifications in light of typical factors associated with entrepreneurial success. For example:

Risk Orientation: Jordan and Geoff do not exhibit any hesitancy concerning the opportunity, save a vague concern that the business may not be fairly priced. Unfortunately, it appears that this apparent comfort with entrepreneurial risk is borne not from an awareness of the pros and cons of the opportunity, but from ignorance. Alan Mackenzie would do well to impress upon these entrepreneurs the need for comprehensive analysis of any and all opportunities before investment.

Learning Ability: Successful entrepreneurs acquire and assimilate information required for decision making very quickly. It is difficult to assess the entrepreneurs' aptitudes in this regard. One might conclude that Geoff – as a trained computer programmer – has at least some strength in this area. No evidence is present to suggest a conclusion regarding Jordan's position.

Individual Motivation: Both individuals demonstrate a desire to own a business, and have taken the positive step of seeking assistance for the purpose of realizing their dream.

Skills: There is no evidence to suggest that either Jordan or Geoff possess the skill sets necessary to successfully operate a small business. While the narrative suggests that Geoff may possess a level of post-secondary training in computer programming, it is unlikely that this education involved the development of business acumen. Jordan apparently possesses some understanding of extreme sports, but there is no indication that he has engaged in sea kayak guiding and / or training.

Overall, Jordan and Geoff - like many would be entrepreneurs before them – appear to lack the business skills essential to the operation of a successful enterprise. Without personal development in this area, or the enlistment of assistance with expertise in operating the type of business desired, it is unlikely that either will experience success in this adventure.

C. Financial Analysis

When engaged in case analysis, students typically struggle to eliminate extraneous information, feel that sufficient appropriate information has not been provided, or both. This is particularly true of financial information provided in business cases and is the reality of business consulting. As such, this case attempts to provide information exactly as provided to the consultant in the actual engagement, and only changes or adds information that would allow undergraduate students (whose analytical skills are not fully developed) an effective learning opportunity.

From a financial perspective, students must first determine whether this business opportunity can meet the principals' financial objectives. If it can, they must then calculate an acceptable purchase price (or range of prices, given that more than one method exists and they must make a decision based on their assessment of the strengths and weaknesses of each method). Students may also assess this investment in light of other opportunities stated or implied in the case.

Overall financial situation:

- The actual financial information provided by the seller and presented in the case is essentially prepared on a cash basis which is largely appropriate to the buyers' needs (see Buyers' Financial Objectives and Resources). The information provided is, however, limited to a calculation of taxable

income (T2125) and a listing of assets at replacement value. Absent are GAAP prepared financial statements with which students would likely be more familiar, and which could provide additional information allowing for the assessment of *future* cash flows and reducing the number of assumptions required of the consultant. These are the realities of the original consulting engagement from which the case is drawn and form a significant and useful teaching element of the case.

- Also apparent from the information provided by the seller is the possibility of assets and expenses that are not included in the information. This raises the question of how to address the projection of future earnings / cash flows based on information that may be incomplete or open to alternate interpretations. Another question surrounds the reliance upon historic information when the decisions required in the engagement are all future oriented. Therefore the predictive nature of current and historic information becomes an issue that must be addressed in most of the financial analysis.
- The seller has provided three years of information, with 2009 being atypical and therefore inappropriate for the valuation process. Students are left to recognize and accommodate for this anomaly.

Buyers' Financial Objectives and Resources

The student must first assess whether this business can meet the principals' overall objectives. In order to do this, the financial objectives should be first be clarified, and the future financial position of the business projected based on the information provided in the case.

Objectives and Resources

- Annual salary draw for Jordan of \$10,000
- A "decent return" for Geoff (in the medium to long term)
- \$5,000 investment by Geoff
- \$15,000 interest free loan from Geoff's family (no fixed repayment terms)

Financial information provided in the seller's T2125 (Case Exhibit 8) has been used to prepare the following income statements:

Sunshine Kayak Adventures						
Income Statement						
For the Years Ended December 31,						
	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	\$	%	\$	%	\$	%
Revenue	<u>55,226</u>	100.0	<u>81,892</u>	100.0	<u>31,466</u>	100.0
Guides	17,580	31.8	19,893	24.3	16,768	53.3
Purchases	14,178	25.7	18,124	22.1	-	-
Other	<u>-</u>	-	<u>6,605</u>	8.1	<u>-</u>	-
	<u>31,758</u>	57.5	<u>44,622</u>	54.5	<u>16,768</u>	53.3
Net Profit	<u>23,468</u>	42.5	<u>37,270</u>	45.5	<u>14,698</u>	46.7
	-	-	-	-	-	-
Insurance	1,700	3.1	2,500	3.1	1,800	5.7
Advertising	3,750	6.8	8,194	10.0	2,250	7.2
Taxes, licenses, fees	430	0.8	750	0.9	129	0.4
Interest	212	0.4	1,388	1.7	-	-
Maintenance	165	0.3	1,318	1.6	285	0.9
Meals	558	1.0	310	0.4	602	1.9
Vehicle	4,180	7.6	9,558	11.7	2,046	6.5
Office	318	0.6	2,206	2.7	592	1.9
Rent	3,951	7.2	11,203	13.7	2,900	9.2
Travel	-	-	3,993	4.9	-	-
Other	86	0.2	165	0.2	-	-
Phone & Utilities	<u>3,675</u>	6.7	<u>4,537</u>	5.5	<u>2,148</u>	6.8
	<u>19,025</u>	34.4	<u>46,122</u>	56.3	<u>12,752</u>	40.5
Net Income	<u><u>4,443</u></u>	8.0	<u><u>(8,852)</u></u>	(10.8)	<u><u>1,946</u></u>	6.2

IM Exhibit 1. Comparative Income Statements and Common Size Percentages

Using the historic information provided, it appears that Sunshine cannot create the level of income identified in the financial objectives. Stated historic net income in any of the three years provided by the seller would not support the level of owner remuneration, provide for a desirable return on investment, or permit eventual repayment of any financed amounts as stated in the buyers' objectives. In order to provide the required salary level only, 2011 revenues would require a growth of 19.5% as evidenced by IM Exhibit 2.

**Sunshine Kayak Adventures
Income Statement
For the Years Ended December 31,**

	<u>2011 Projected</u>		<u>2010</u>		<u>%Change Projected</u>
	\$	%	\$	%	
Revenue	<u>66,000.00</u>	100.00	<u>55,226.00</u>	100.00	<u>19.51</u>
Guides	20,460.00	31.00	17,580.38	31.83	16.38
Purchases	16,500.00	25.00	14,178.00	25.67	16.38
Other	<u>-</u>	-	<u>-</u>	-	<u>-</u>
	<u>36,960.00</u>	56.00	<u>31,758.38</u>	57.51	<u>16.38</u>
Net Profit	<u>29,040.00</u>	44.00	<u>23,467.62</u>	42.49	<u>23.74</u>
Insurance	1,700.00	2.58	1,700.00	3.08	-
Advertising	3,748.18	5.68	3,748.18	6.79	-
Taxes, licenses, fees	430.94	0.65	430.94	0.78	-
Interest	212.16	0.32	212.16	0.38	-
Maintenance	165.58	0.25	165.58	0.30	-
Meals	557.26	0.84	557.26	1.01	-
Vehicle	4,180.03	6.33	4,180.03	7.57	-
Office	318.81	0.48	318.81	0.58	-
Rent	3,951.51	5.99	3,951.51	7.16	-
Travel	-	-	-	-	-
Other	86.14	0.13	86.14	0.16	-
Phone & Utilities	<u>3,674.19</u>	5.57	<u>3,674.19</u>	6.65	<u>-</u>
	<u>19,024.80</u>	28.83	<u>19,024.80</u>	34.45	<u>-</u>
Net Income	<u>10,015.20</u>	15.17	<u>4,442.82</u>	8.04	<u>125.42</u>

The 2011 goal initially appears significant, however the growth in revenue between 2008 and 2010 (omitting 2009 as atypical) amounts to 75%. Calculating a simple average of the 2008 and 2010 net income as an estimate of annual growth and applying it to 2011 would yield a projected net income of approximately \$14,000. This amount is adequate to provide the financial returns and salaries required by the buyers' in the early years of new ownership.

Therefore, from a financial perspective, it is worth pursuing Sunshine as a possible investment opportunity provided that a suitable price can be negotiated for the business. Independent valuation of the company should thus be pursued if the buyer wishes to continue with the offer.

D. Business Valuation Alternatives:

Given that Sunshine could potentially provide annual returns sufficient to satisfy buyer objectives, the next question relates to valuation of the business. At this level valuation can be

particularly challenging, given that “one of the most troublesome matters confronting micro (annual sales under \$1million) business buyers is that sellers frequently value their businesses at more than the market does.”³⁰ While there are many financial valuation models that could be used to calculate a purchase price, for practical purposes the nature and size of Sunshine eliminates many of the more sophisticated models. Accordingly, four alternative methods are suggested to bracket a range of reasonable values and provide the principals with a possible counter offer to the seller’s asking price:

- Asset valuation
- Historic cash flow
- Discounted cash flow
- Price/earnings

Limitations of the alternate methods are also discussed.

(1) Asset Valuation

When asset valuation is used as the basis for the purchase price of a business, the method used is commonly book value (historic cost less accumulated depreciation). While there is no theoretical justification for the use of such an accounting valuation, many students and small business owners will use these values as they are readily available when financial statements are prepared in accordance with GAAP. In the case of Sunshine, however, depreciated asset values are not specifically provided, and students may default to the use of replacement values provided by the seller, perhaps adjusted for CCA taken.³¹ This would provide a range of values:

- Replacement value \$42,177
- Replacement value net of CCA \$29,469

There are many reasons why these amounts are not appropriate to value Sunshine, but primarily asset valuation methods fail to recognize that an asset’s only value lies in its ability to generate cash flows. This may be achieved either through liquidation or continued productive use, making net realizable values informative in the first case, and future cash flows useful in the second case. Neither³² of these amounts is approximated using asset values for Sunshine as provided by the seller, although the second is a reasonable method and will be discussed following.

(2) Historic Cash Flow

A variety of cash flow methods exist and are relatively easy to use. As they are based on cash being created through the productive use of assets they are more theoretically sound than asset valuation. Further, they are intuitive to the buyer given that he / she views the business as a means to generate sufficient cash to meet his / her own objectives

The first of the methods - historic cash flow - is the most straightforward as it is not concerned with the future orientation of the purchase decision. By using past average annual cash flows provided by operations (usually from the most recent 3 years) and multiplying by a factor loosely related to prevailing

³⁰ Lawrence W. Tuller, *The Small Business Valuation Book*, 1994, p.231.

³¹ It should be noted that the seller has not indicated whether “replacement” value refers to replacement by new equipment, or by similarly used equipment that would be more appropriate.

³² There are times that existing GAAP would provide these numbers, but these circumstances are not found here and this company isn’t using GAAP.

interest rates the buyer can arrive at a suggested purchase price. The specifics for Sunshine should recognize the following:

- A multiplier of 4 – 5 times is accepted in the industry as interest rates are running between 3 and 6%.
- Although an average of the most current 3 years' net income data would be most appropriate (as older data is progressively less relevant), in this case the net income from 2009 should be excluded given that operations have changed significantly.

Net Income 2010	\$ 4,443
Net Income 2008	<u>1,946</u>
Subtotal	<u>\$ 6,389</u>
Average Annual NI	\$ 3,195
Multiplier	<u>4</u>
Purchase price	<u><u>\$ 12,778</u></u>

There are several limitations to this methodology. First, the seller may object to using past cash flow amounts as this will not include in the selling price any amounts to reflect past entrepreneurial efforts that have long term benefits not yet reflected in higher cash flows. Second, using historic information to predict future outcomes will only be effective if no variables are expected to change in future. A review of the information for items that may not flow into the future at current amounts could improve the predictive quality of this method, but such an evaluation moves the method from the intuitively simple to a level of complexity potentially beyond the average small business owner. Further, effectively extrapolating this higher quality information into the future should account for the time value of money in its calculation. In order to include this in the calculation a discounted cash flow method should be employed.

(3) Discounted Cash Flow

The issue of defining the value of the asset may be addressed by the discounted cash flow method. Discounted cash flow may be approximated by calculating the net present value of the asset. Net present value (NPV) is equal to the present value of future returns, discounted at the marginal cost of capital, minus the present value of the cost of the investment.

$$\text{Net Present Value} = \text{NPV} = \left(\frac{1 - (1 / (1 + i)^n)}{i} \right) \times \text{CF}$$

- where CF is the expected cash flow in each of n periods, and i is the cost of capital.

For calculation purposes, CF is defined as \$10,000, reflecting the more conservative of possible future outcomes. This is based on the 2011 projected cash flow calculated from 2010 data provided by the company and representing a “reasonable” annual performance (as opposed to 2009 results that were impacted by anomalous events). The calculation is made for a three-year period, which is considered an acceptable horizon for the survival and growth of the business under new ownership. The discount rate, i, is defined as 6%, representing a conservative estimate for the average discount rate over the next three years. Under these conditions, the NPV calculation yields an approximate purchase value of \$26,611.

(4) Price/earnings

The price/earnings approach is a simple formula-based valuation method. While more appropriate to large publicly traded companies, it is often used in smaller valuations as the method is simple and the information relatively easy to access. Company earnings are multiplied by a composite index of stock price/earnings ratios (e.g. the Dow Jones or the S&P 500) for the period. In this case earnings and cash flow for 2010 are the same and therefore the calculation is:

Net Income 2010	\$ 4,443
S&P 500 P/E 2011	<u>25</u>
Purchase price	<u>\$ 111,075</u>

As with the historic cash flow method, the use of historic information to calculate future performance is problematic. In addition to the questionable value of the historic income number is the issue of the predictive quality of the price/earnings number. In the case of 2010 the market experienced unprecedented growth that ended with a significant market adjustment near the end of that period, providing an average price earnings ratio of 39 that quickly corrected to 25 in 2011 (hence the 2011 ratio has been used in the analysis).

A further complication with this method is the use of such a broad financial indicator to predict performance in a niche market for a sole proprietorship. While the economic climate suggested by such a measure may influence the outcomes for Sunshine, it is unlikely to represent a direct relationship and any conclusions drawn using this method should be used cautiously.

Valuation Results

Asset valuation (replacement)	\$42,177
Asset valuation (CCA adjusted replacement)	29,469
Historic cash flow	12,778
Discounted cash flow	26,611
Price/earnings	111,075

Exhibit 3. Valuation Summary

Exhibit 3 presents calculated valuation amounts arising from each of the methods discussed. In evaluating these results, the limitations of each methodology should not be overlooked. Despite the fact that several methods are used in practice, the associated theoretical limitations render them of little value (particularly given the nature of the information provided by the seller, and the nature of the niche market within which this company operates). Given that this is the case with both asset valuation models and with the price earnings methodology, the buyer is therefore left with a purchase price ranging from approximately \$13,000 to \$27,000, which is clearly inconsistent with the seller's valuation. Further, the price disparity likely precludes negotiation.

Financing the Purchase

Given the conclusion suggested by the valuation analysis, students need not discuss the issue of financing the purchase. If, however, the recommended course of action were to pursue the Sunshine purchase (or other opportunities) then students should review financing needs beyond the \$20,000 currently available

in the case narrative. This point should be highlighted as part of the case de-brief even if students do not present this alternative.

Teaching Plan

Three alternatives are suggested for classroom application of the case:

(1) Expanded Case Analysis: Assign the case as a group project with an extended period of time for completion. Students – acting in the role of consultants (or alternatively in role as Alan Mackenzie) - are expected to prepare a formal report including (a) identification of the central problem, (b) analysis using case information, (c) suggestion and discussion of alternatives, and (d) recommendations and discussion of implementation. The report could be accompanied by a presentation supported by appropriate visual aids and a general class discussion. This application provides an opportunity to assess students' capabilities to conduct expanded analysis that goes beyond the constraints of the case.

(2) Case Exam Format: Assign the case as a group or individual project with a fixed period of time (e.g. three hours) for completion. As with the Expanded Case Analysis students are expected to adopt a consultancy approach and apply an analytical framework to advance a recommendation. A short report or presentation could follow. This application provides an opportunity to assess students' capabilities to conduct analysis when faced with limited resources (e.g. access to research, time, etc.).

(3) Guided Class / Group Discussion: Assign the case to be read individually in advance of the class. As a class or in groups, engage students in a discussion of the topics / teaching objectives addressed by the case. Alternatively, the instructor may choose to present his / her own analysis of the case for the purpose of teaching the case method or particular theory relevant to the case.

Epilogue

Alan Mackenzie ultimately concluded that the business was over-priced and recommended to Jordan and Geoff that they seek to negotiate a lower purchase price for Sunshine. Within a month or so of his recommendation, the matter was rendered academic as Geoff accepted a computer programming position in the eastern United States with a telecommunications giant which would subsequently fall into bankruptcy in the midst of an accounting scandal. Jordan remained gainfully unemployed for a period of time, before deciding to relocate to British Columbia to attend a hair dressing college.

Tyler Emerson changed his mind and decided to keep Sunshine Kayak Adventures. As at the time of writing, he had expanded the business by relocating to Prospect, Nova Scotia, hiring additional staff, and expanding his product offering to include a small dockside café.

Alan Mackenzie continued to profitably operate his small business consulting firm, although Jordan and Geoff never did pay the bill for the business valuation he completed.